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**Investor Presentation | Asia Pacific**

# China Equity Strategy: Cutting Targets amid Macro and Liquidity Headwinds

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# We have cut our index targets for China amid worsening macro data, tighter liquidity and flow outlook, and market concerns over tighter government regulations targeting flow and wealth

## Macro momentum has weakened, delaying the earnings recovery

- China's macro data since July have kept worsening, following a disappointing 2Q and a cut in Morgan Stanley's GDP growth forecast;
- The policy response remains incremental rather than a broad-based demand stimulus;
- China's ERB is the worst among major global peers;

## The liquidity backdrop has become less supportive:

- Government capital flow and wealth taxation recalibration;
- The Fed's more hawkish signal;
- China's positioning has also normalized materially in July/August, from the extreme underweights seen in 1H26 to modest underweight or even outright overweight;
- Softer Southbound flows, in addition to large size IPO/placement/restricted shares unlocking, etc.

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# We take profits from Hong Kong's recovery rally since July, and prefer A shares over Hong Kong

## We see A-share market dynamics gradually improving from here:

- Stabilization of global market and momentum recovery of the AI super cycle (A-share market's resonation);
- Gradual digestion of near-term liquidity squeeze caused by large A-share IPOs (CXMT and UniTree);
- National Team potentially serving as a market stabilizer.

## Key reasons for us to become bullish on Hong Kong market since the start of July have been largely priced in:

- 2Q results season proving a bottoming out of earnings, especially for the internet/e-commerce sectors, thanks to reining in of price competition by regulators starting from mid-April 2026.
- Progress made on AI front demonstrated by new LLM launches and AI functions added to established ecosystems alleviating investor concerns over Chinese hyperscalers re their capex expansion plans.
- Massive IPO share unlocking pressure that had mounted since May 2026 being steadily digested through July and August.
- Other external factors also helped: unwinding of funding short positions built against HK due to global market drawdown; very low positioning by global investors.

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# We watch out for the next window for Hong Kong to regain momentum

## A busy AI catalyst calendar into the year-end

- Tencent's Global Digital Ecosystem Summit and Weixin AI launch.
- Alibaba's Qwen 4.0 upgrade and Apsara Conference.
- New model releases from MiniMax and Z.AI.

## Potential improvement in China-US relations ahead of US visit

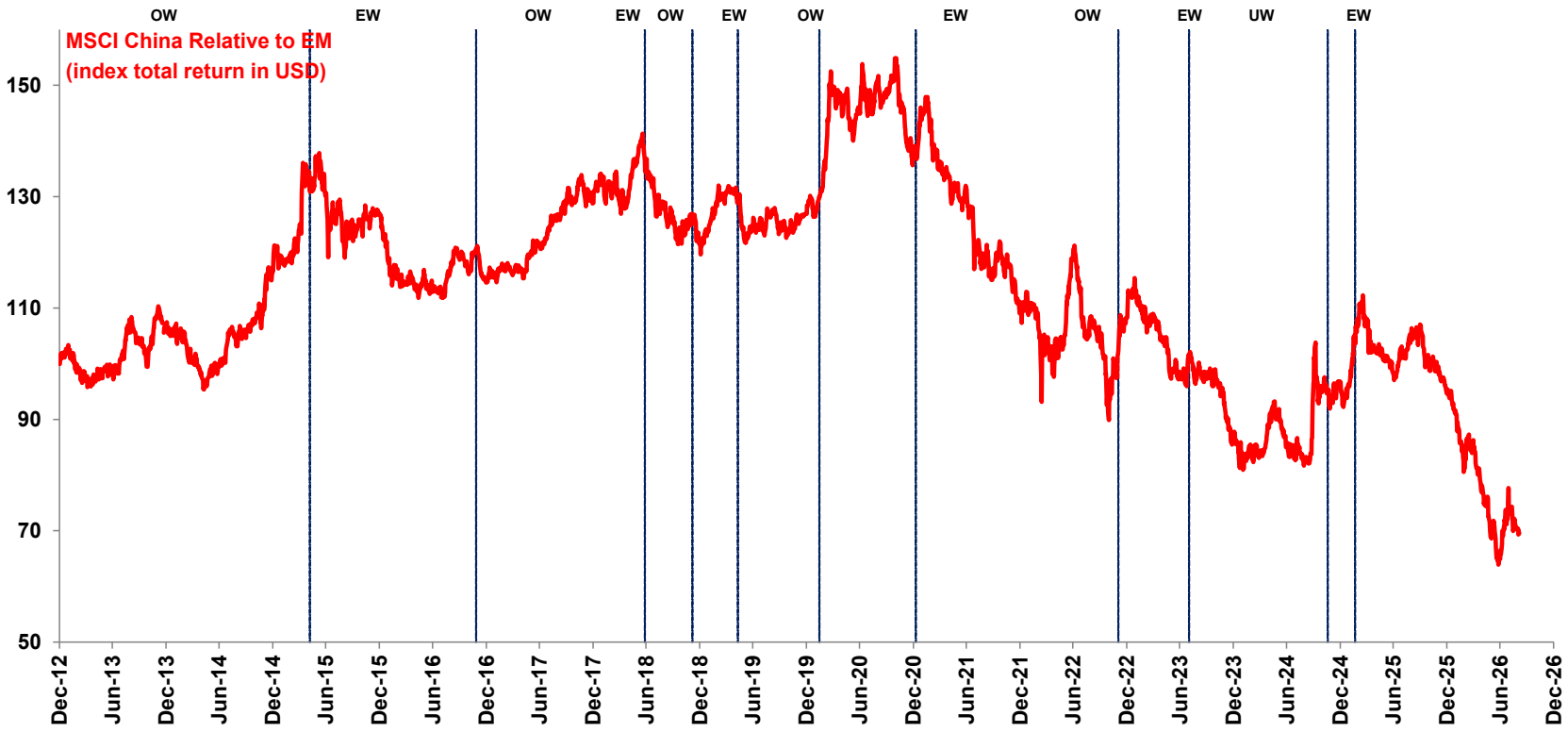
- Confirmation of President Xi's expected US visit in September.
- Any signals of softening technology and trade restrictions ahead of the event.

## Rising prospects for additional policy easing around late September if macro data worsens further:

- Any meaningful policy step-up would likely be a positive catalyst for both Hong Kong and the A-share market.

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## MSCI China has started to underperform EM peers again as the AI memory super-cycle regains footing post the July-Aug drawdown

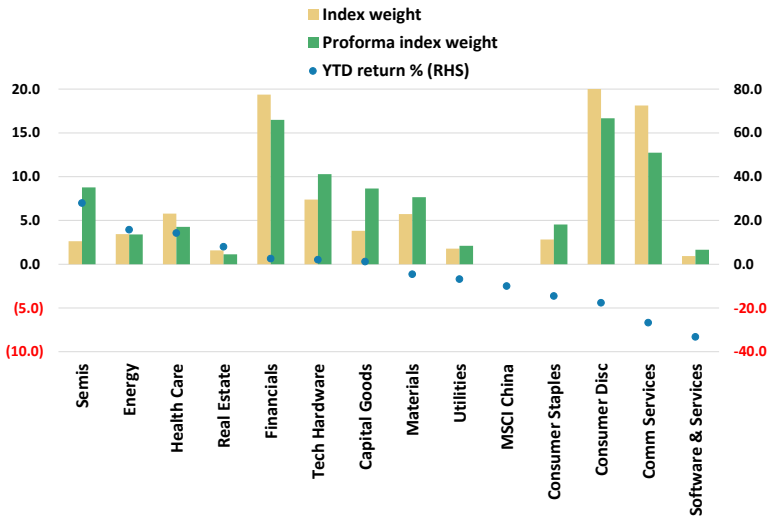



Source: MSCI, FactSet, DataStream, Morgan Stanley Research. Data as of Sep 2, 2026. Past performance is no guarantee of future results.

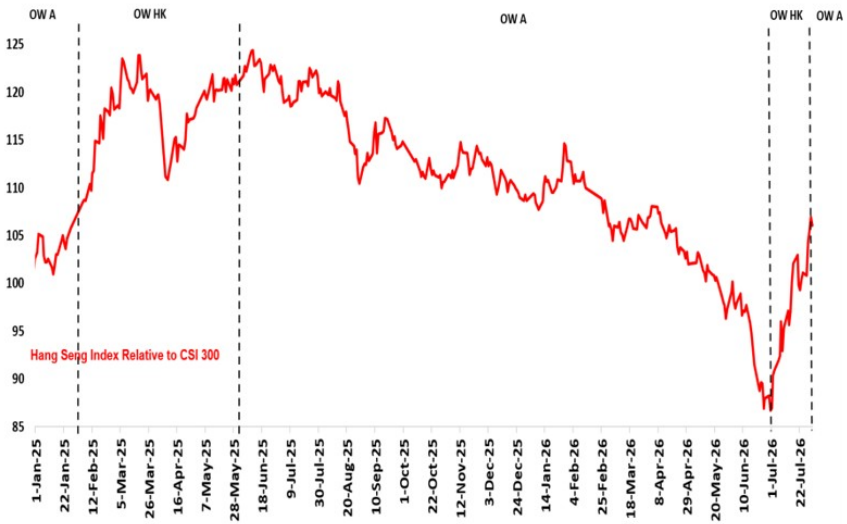
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# Decoding the broad index performance – A-shares' AI andTech exposure largely drives the A vs. H relative performance trend

## Semis (mostly in A-share market) highly correlated with the global cycle




## Our A-share vs. Hong Kong call history




Source: FactSet, Morgan Stanley Research. Data as of Sep 4, 2026.

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# Asia/EM/China 2Q 2027 index targets – Wide range across bull/base/bear cases

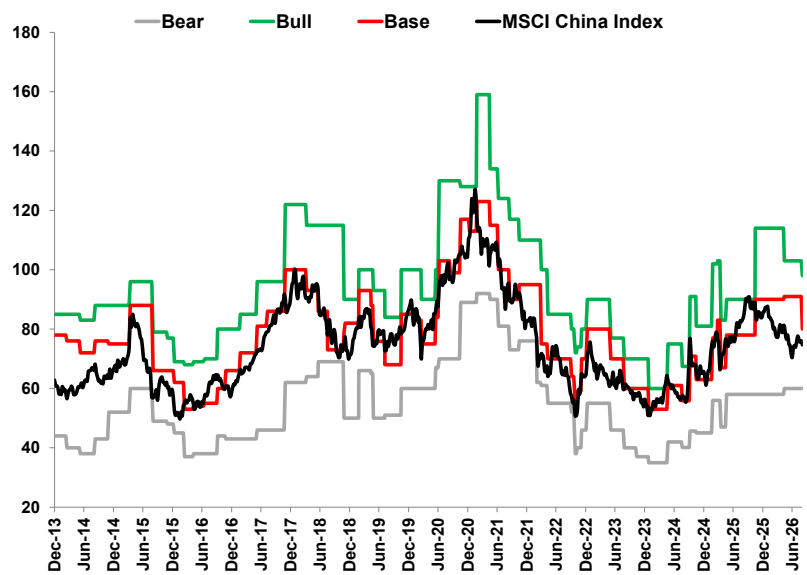
| | Index | Current Price | MS Target Price (Jun-2027) | MS Top-Down EPS YoY % | | | Consensus EPS Forecast YoY % | | | MS Target Fwd P/E Jun - 2027 | Consensus 12m Fwd P/E Current |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec-26 | Dec-27 | Dec-28 | Dec-26 | Dec-27 | Dec-28 | | |
| Base Case | TOPIX | 4,102 | **4,300** *5%* | 216 *9%* | 235 *9%* | 263 *12%* | 236 *16%* | 266 *13%* | 295 *11%* | 17.5x | 16.0x |
| | MSCI EM | 1,727 | **1,800** *4%* | 145 *63%* | 172 *19%* | 175 *2%* | 148 *72%* | 182 *23%* | 201 *11%* | 10.4x | 10.2x |
| | MSCI APxJ | 893 | **900** *1%* | 65 *55%* | 80 *23%* | 83 *4%* | 70 *73%* | 87 *24%* | 96 *10%* | 11.0x | 11.0x |
| | Hang Seng | 25,213 | **26,550** *5%* | 2,184 *6%* | 2,336 *7%* | 2,557 *9%* | 2,302 *12%* | 2,519 *9%* | 2,756 *9%* | 10.9x | 10.4x |
| | HSCEI | 8,463 | **8,900** *5%* | 900 *3%* | 941 *4%* | 993 *5%* | 925 *5%* | 983 *6%* | 1,053 *7%* | 9.3x | 9.5x |
| | MSCI China | 75 | **80** *6%* | 6.2 *6%* | 6.7 *9%* | 7.5 *11%* | 6.5 *14%* | 7.4 *14%* | 8.4 *13%* | 11.2x | 10.7x |
| | CSI300 | 4,553 | **4,880** *7%* | 282 *8%* | 314 *11%* | 357 *13%* | 362 *21%* | 421 *16%* | 487 *16%* | 14.5x | 13.1x |
| Bull Case | TOPIX | 4,102 | **4,900** *19%* | 224 *13%* | 255 *14%* | 290 *14%* | 236 *16%* | 266 *13%* | 295 *11%* | 18.0x | 16.0x |
| | MSCI EM | 1,727 | **2,200** *27%* | 145 *61%* | 181 *25%* | 186 *3%* | 148 *72%* | 182 *23%* | 201 *11%* | 12.0x | 10.2x |
| | MSCI APxJ | 893 | **1,120** *25%* | 65 *53%* | 84 *29%* | 88 *5%* | 70 *73%* | 87 *24%* | 96 *10%* | 13.0x | 11.0x |
| | Hang Seng | 25,213 | **31,900** *27%* | 2,227 *7%* | 2,430 *9%* | 2,675 *10%* | 2,302 *12%* | 2,519 *9%* | 2,756 *9%* | 12.5x | 10.4x |
| | HSCEI | 8,463 | **10,400** *23%* | 918 *5%* | 960 *4%* | 1,021 *6%* | 925 *5%* | 983 *6%* | 1,053 *7%* | 10.6x | 9.5x |
| | MSCI China | 75 | **98** *31%* | 6.3 *7%* | 6.9 *10%* | 7.8 *12%* | 6.5 *14%* | 7.4 *14%* | 8.4 *13%* | 13.3x | 10.7x |
| | CSI300 | 4,553 | **5,640** *24%* | 288 *10%* | 327 *14%* | 378 *16%* | 362 *21%* | 421 *16%* | 487 *16%* | 16.0x | 13.1x |
| Bear Case | TOPIX | 4,102 | **2,600** *-37%* | 202 *2%* | 209 *4%* | 222 *6%* | 236 *16%* | 266 *13%* | 295 *11%* | 12.0x | 16.0x |
| | MSCI EM | 1,727 | **1,100** *-36%* | 131 *48%* | 120 *-8%* | 110 *-8%* | 148 *72%* | 182 *23%* | 201 *11%* | 9.5x | 10.2x |
| | MSCI APxJ | 893 | **590** *-34%* | 59 *41%* | 56 *-4%* | 56 *1%* | 70 *73%* | 87 *24%* | 96 *10%* | 10.5x | 12.9x |
| | Hang Seng | 25,213 | **17,700** *-30%* | 2,074 *3%* | 2,173 *5%* | 2,378 *9%* | 2,302 *12%* | 2,519 *9%* | 2,756 *9%* | 7.8x | 10.4x |
| | HSCEI | 8,463 | **5,900** *-30%* | 855 *1%* | 875 *2%* | 893 *2%* | 925 *5%* | 983 *6%* | 1053 *7%* | 6.7x | 9.5x |
| | MSCI China | 75 | **60** *-20%* | 5.8 *3%* | 6.0 *4%* | 6.5 *9%* | 6.5 *14%* | 7.4 *14%* | 8.4 *13%* | 9.1x | 10.7x |
| | CSI300 | 4,553 | **3,290** *-28%* | 272 *6%* | 289 *6%* | 314 *9%* | 362 *21%* | 421 *16%* | 487 *16%* | 10.9x | 13.1x |

Source: MSCI, IBES, Bloomberg, FactSet, RIMES, Morgan Stanley Research estimates. Note: Data as of Sep 3, 2026.

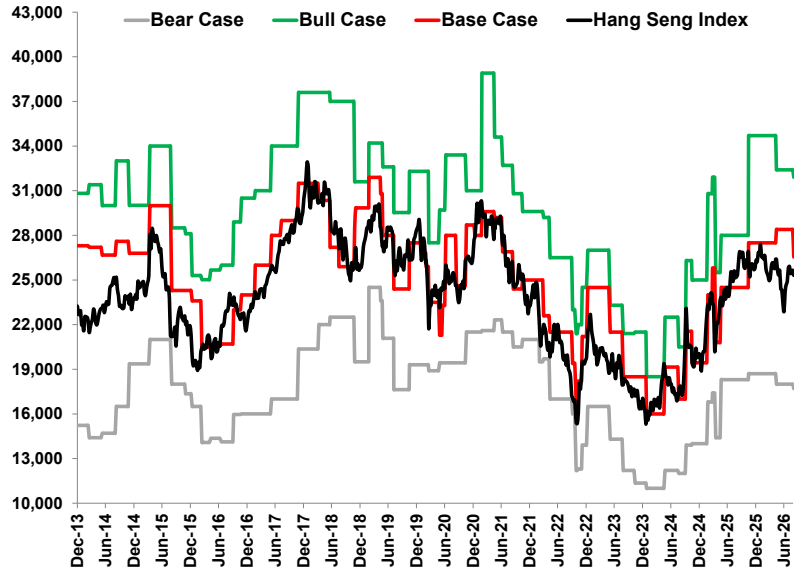
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# Morgan Stanley bull/base/bear case index target history for MSCI China and the Hang Seng Index

## MS target price history for MSCI China




## MS target price history for Hang Seng




Source: RIMES, FactSet, Morgan Stanley Research forecasts. Note: Weekly price index data as of Sep 2, 2026.

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## Assessing Morgan Stanley's China framework – Worsening macro and earnings growth outlook as well as liquidity uncertainty have led to June 2027 price target cuts

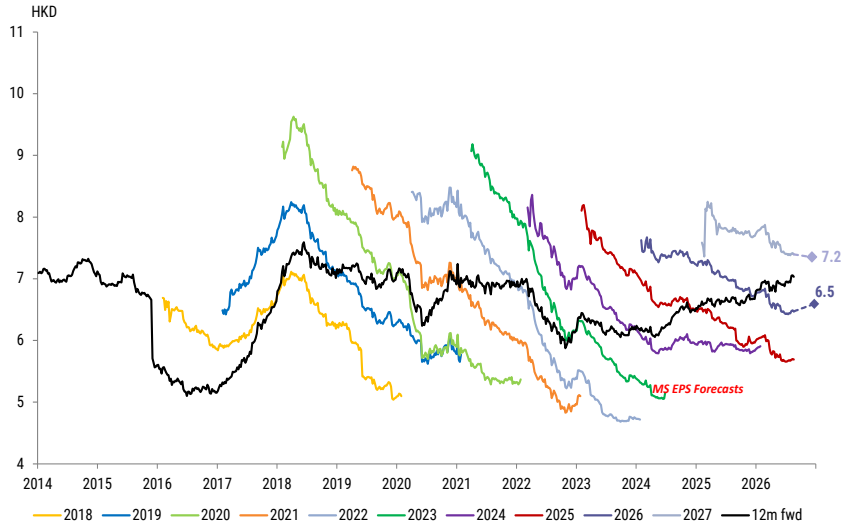
| | | 2018 | 2020 Post Covid-19 | 2H 2021 | Dec-22 | Aug-23 | Feb-25 | 2025 Year End | Sep-26 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Economic/Earnings Estimates | x | ✓ | Neutral | xx | xx | x | x | x |
| 2 | Valuation | x | ✓ | x | Neutral | Neutral | ✓ | Neutral | Neutral |
| 3 | Liquidity | x | ✓ | x | ✓ | x | ✓ | ✓ | x |
| 4 | Policy Cycle | x | ✓ | x | ✓✓ | ✓ | ✓ | ✓ | Neutral |
| 5 | USDCNY trend | x | ✓ | Neutral | ✓ | x | xx | x | Neutral |
| 6 | US/China & geopolitical tension | x | Neutral/ Slightly negative | Neutral/ Slightly negative | Neutral/ Slightly negative | Neutral/ Slightly negative | x | Interim truce | Interim truce |
| 7 | Regulatory/Policy priority | x | Neutral | x | ✓ | xx | ✓ | ✓ | x |
| | | Downgrade | Upgrade | Downgrade | Upgrade | Downgrade | Upgrade | PT increase | Target price cut |

Source: Morgan Stanley Research. Note: Tick indicates our view on the factor is improving, while x indicates the factor is deteriorating, and xx indicates a greater level of deterioration.

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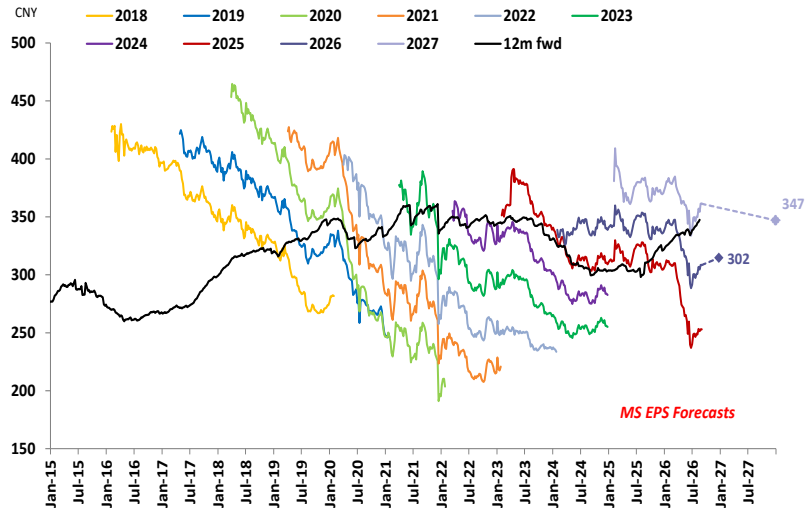
# Consensus earnings estimates for MSCI China and CSI300 – We expect further downward revisions for 2026 EPS but at a decelerating pace

## MS EPS base-case forecasts for MSCI China at Dec-26 and Dec-27




Source: IBES, Datastream, Morgan Stanley Research. Note: Weekly data as of Sep 2, 2026.

## MS EPS base-case forecasts for CSI 300 at Dec-26 and Dec-27

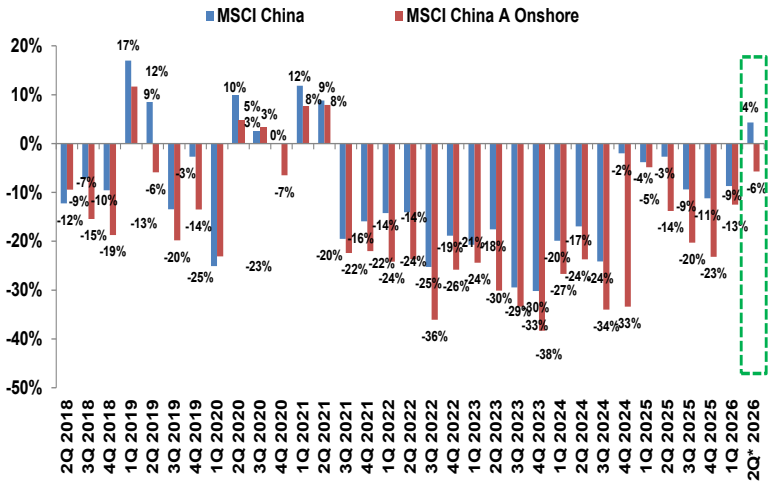



Source: IBES, Datastream, Morgan Stanley Research. Note: Weekly data as of Sep 2, 2026.

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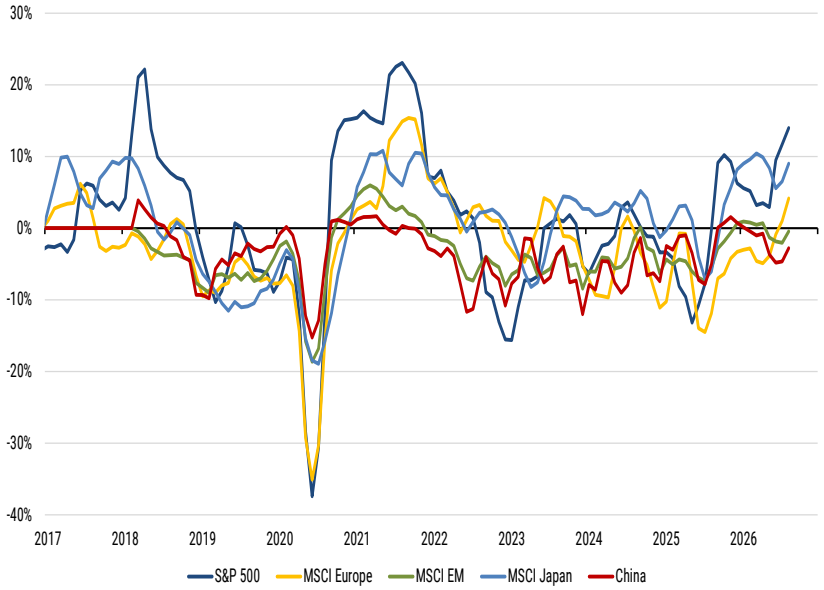
# 2Q26 earnings miss so far narrowed vs. before; However MSCI China's ERB trend is still the worst among major global peers

## History of Chinese equity market quarterly earnings surprises by number of companies




Source: MSCI, Bloomberg, RIMES, Factset, Morgan Stanley Research. Data as of August 24, 2026.

## 12-month forward consensus earnings estimate revision breadth (ERB, 3mma)




Source: Factset, Morgan Stanley Research. Note: Monthly data as of August 2026.

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## MSCI China consensus EPS composition by industry group

| | Consensus EPS Contribution | | | EPS Growth | | | EPS Growth Contribution | | |
|---|---|---|---|---|---|---|---|---|---|
| MSCI China | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E |
| Automobiles & Components | 0.09 | 0.17 | 0.25 | 30% | 86% | 46% | 0.4% | 1.2% | 1.1% |
| Banks | 1.60 | 1.58 | 1.66 | 2% | -1% | 5% | 0.5% | -0.3% | 1.1% |
| Capital Goods | 0.15 | 0.23 | 0.26 | -19% | 52% | 15% | -0.6% | 1.2% | 0.5% |
| Commercial & Professional Services | 0.00 | 0.01 | 0.02 | NM | NM | 12% | 0.0% | 0.2% | 0.0% |
| Consumer Durables & Apparel | 0.10 | 0.12 | 0.13 | 22% | 11% | 10% | 0.3% | 0.2% | 0.2% |
| Consumer Services | 0.13 | 0.15 | 0.26 | -55% | 12% | 78% | -2.8% | 0.2% | 1.5% |
| Diversified Financials | 0.12 | 0.17 | 0.18 | 0% | 36% | 7% | 0.0% | 0.7% | 0.2% |
| Energy | 0.21 | 0.27 | 0.26 | -12% | 24% | -1% | -0.5% | 0.8% | 0.0% |
| Consumer Staples Distribution & Retail | 0.01 | 0.01 | 0.02 | 15% | 6% | 18% | 0.0% | 0.0% | 0.0% |
| Food Beverage & Tobacco | 0.10 | 0.12 | 0.14 | -20% | 13% | 16% | -0.5% | 0.2% | 0.3% |
| Health Care Equipment & Services | 0.03 | 0.02 | 0.02 | -25% | -15% | 11% | -0.1% | -0.1% | 0.0% |
| Household & Personal Products | 0.01 | 0.01 | 0.01 | 19% | 11% | 4% | 0.0% | 0.0% | 0.0% |
| Insurance | 0.69 | 0.67 | 0.69 | 29% | -3% | 3% | 2.7% | -0.3% | 0.2% |
| Materials | 0.19 | 0.41 | 0.44 | 23% | 119% | 8% | 0.6% | 3.4% | 0.4% |
| Media & Entertainment | 1.08 | 1.03 | 1.12 | 16% | -4% | 8% | 2.6% | -0.7% | 1.2% |
| Pharmaceuticals, Biotechnology & Life Sciences | 0.09 | 0.13 | 0.15 | 89% | 41% | 19% | 0.7% | 0.6% | 0.3% |
| Real Estate | 0.08 | 0.09 | 0.10 | 8% | 14% | 14% | 0.1% | 0.2% | 0.2% |
| Consumer Discretionary Distribution & Retail | 0.59 | 0.76 | 1.01 | -40% | 29% | 34% | -6.9% | 2.6% | 3.5% |
| Semiconductors & Semiconductor Equipment | (0.01) | 0.02 | 0.04 | 54% | NM | 84% | 0.2% | 0.5% | 0.3% |
| Software & Services | (0.01) | (0.00) | 0.00 | -27% | NM | 403% | 0.0% | 0.1% | 0.1% |
| Technology Hardware & Equipment | 0.17 | 0.25 | 0.35 | 18% | 45% | 42% | 0.5% | 1.2% | 1.4% |
| Telecommunication Services | 0.02 | 0.02 | 0.02 | 10% | 24% | 8% | 0.0% | 0.1% | 0.0% |
| Transportation | 0.09 | 0.10 | 0.11 | -29% | 14% | 3% | -0.7% | 0.2% | 0.0% |
| Utilities | 0.15 | 0.14 | 0.14 | 3% | -7% | 6% | 0.1% | -0.2% | 0.1% |
| **MSCI China** | **5.7** | **6.5** | **7.4** | **-3%** | **14%** | **14%** | **-3%** | **14%** | **14%** |

Source: IBES, MSCI, FactSet, Datastream, Morgan Stanley Research. Note: Data as Sep 2, 2026.

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## MSCI China index level earnings growth forecasts by industry based on MS bottom-up estimates

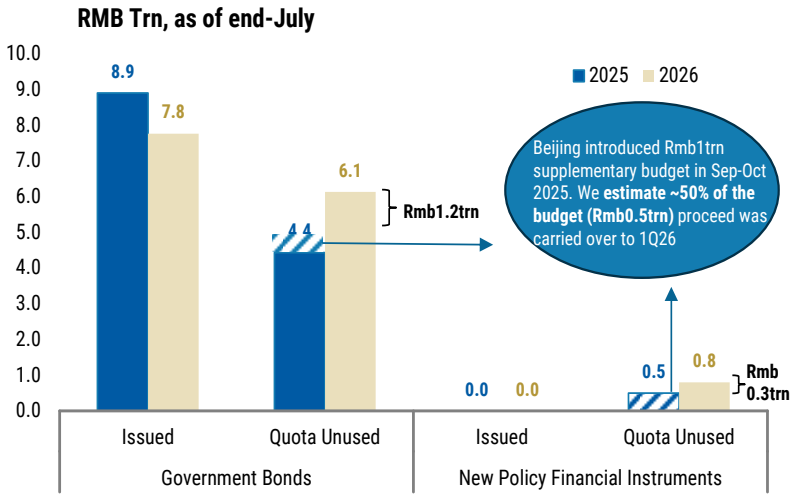
| MSCI China Sectors EPS Growth Decomposition | Index weight* | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| Consumer Discretionary | 22% | (31%) | 3% | 43% |
| Consumer Staples | 2% | (1%) | 24% | 9% |
| Information Technology | 8% | 20% | 11% | 57% |
| Health Care | 4% | 49% | 24% | (3%) |
| Communication Services | 18% | 8% | 1% | 1% |
| Utilities | 1% | 4% | (6%) | 2% |
| Real Estate | 1% | (42%) | 11% | 23% |
| Financials | 19% | 8% | 4% | 1% |
| Energy | 3% | (14%) | 33% | 6% |
| Materials | 4% | 26% | 72% | (2%) |
| Industrials | 4% | 4% | 7% | 17% |
| | | | | |
| MS bottom up forecasts of EPS growth for MSCI China | | (2%) | 7% | 11% |
| MS top down forecasts of EPS growth for MSCI China | | 0% | 6% | 8% |
| Consensus EPS growth for MSCI China | | (3%) | 14% | 14% |

Source: FactSet, Datastream, ModelWare, Morgan Stanley Research. Note: Data as of Sep 2, 2026. *Only index weight of Morgan Stanley Research-covered stocks that are MSCI China constituents are counted. Hence it may not sum to 100% due to coverage.

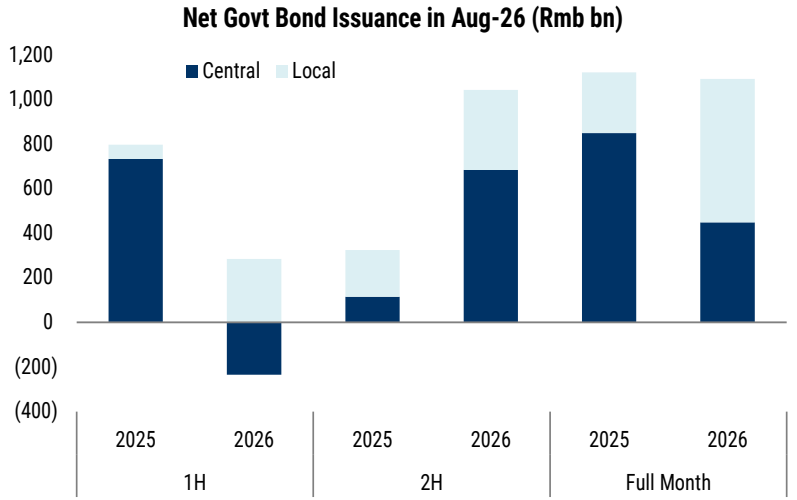
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# Fiscal impulse remains the key near-term swing factor, should the macro conditions worsen more

## There remains Rmb2trn untapped fiscal and quasi-fiscal impulse for Aug-Dec



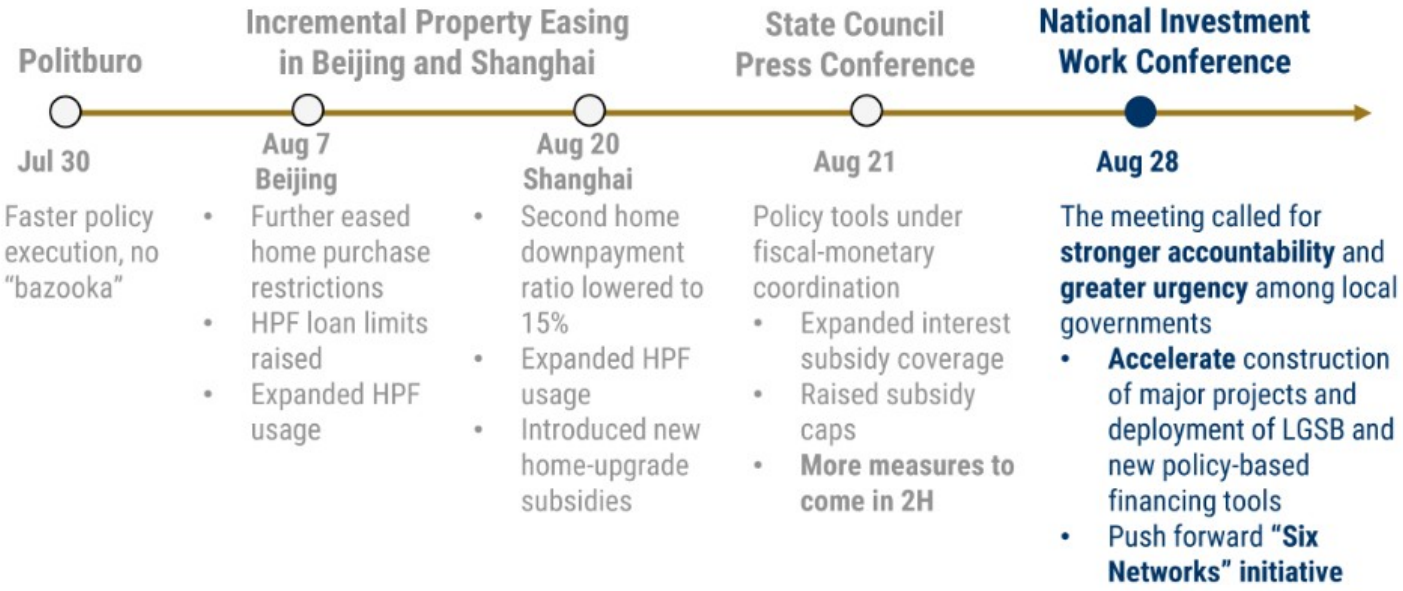

## Government bond issuance accelerated in 2H August




Source: CEIC, Morgan Stanley Research estimates.

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## Policy Focus: Faster Execution Of Existing Budget, No "Bazooka"

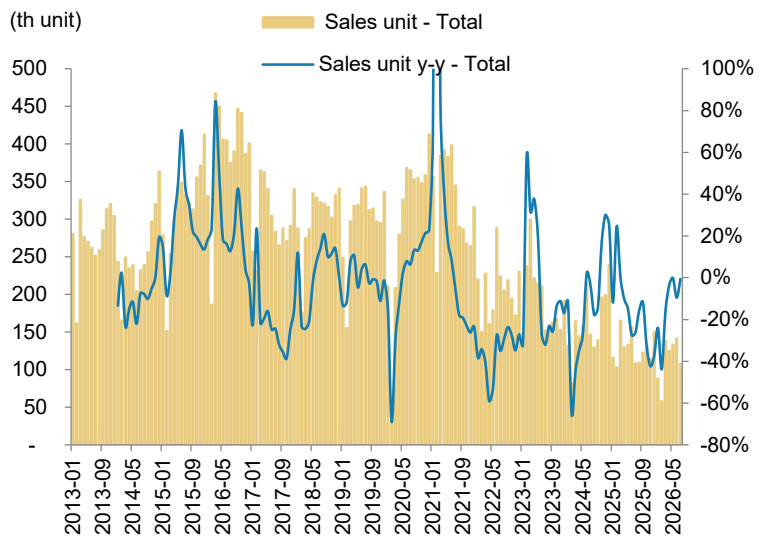



Source: Government Website, Morgan Stanley Research.

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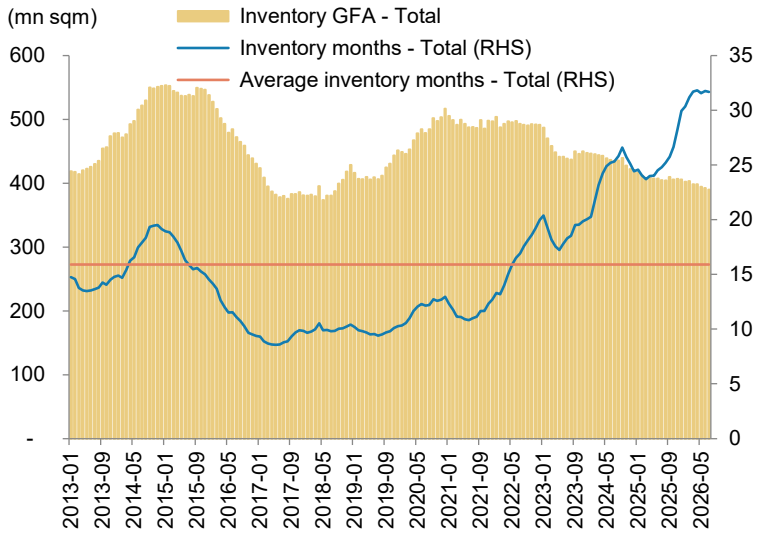
# Primary housing inventory level stays elevated

## Monthly primary housing sales




Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

## Housing inventory among 70 cities

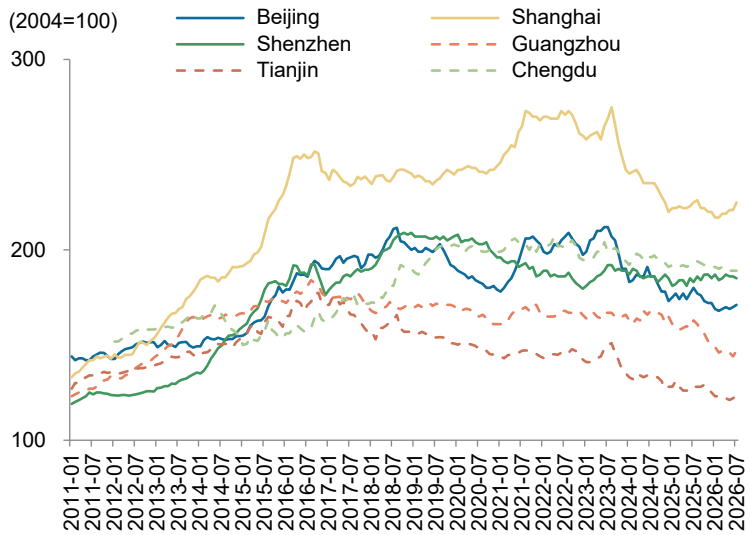



Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

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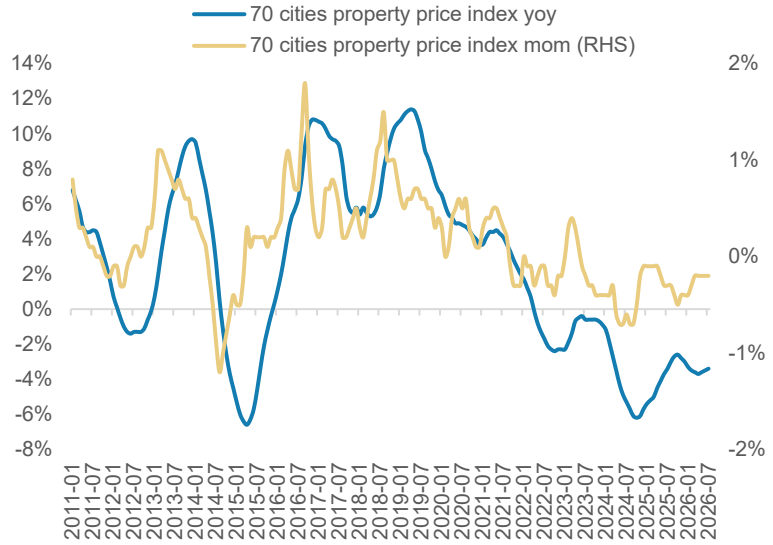
# Recovery emerging in secondary property prices across select tier 1 cities, while the national market continues to lag

## Beijing, Shanghai and Shenzhen secondary property prices showing signs of recovery since Feb-26




Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

## While 70 cities prices recover at a slower pace




Source: CREIS, Morgan Stanley Research. Note: Monthly data as of end-July 2026.

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## Tighter credit for property developers, incremental looser mortgage rules

| Item | Previous Rules / Practice | New Rules (Aug-2026) |
|---|---|---|
| **Property Developer** | | |
| Financing model | Fragmented project financing | **Lead-bank system** introduced; one lead bank responsible for **closed-loop fund management** for each project |
| Land acquisition loans | Prohibited (existing restriction) | Prohibited (explicitly retained) |
| Developer loan tenor | No unified national standard | **Pre-sale projects**: **normally ≤3 years, maximum 5 years**<br>**Completed projects**: **normally ≤5 years, maximum 7 years** |
| Mortgage disbursement | **Pre-sale projects**: Released after the building's main structure was topped out<br>**Completed-home projects**: Typically released after mortgage approval and registration | **Pre-sale projects:** Mortgage can only be disbursed **after project completion filing**<br>**Completed-home projects**: Mortgage can only be released after sales filing |
| **Households** | | |
| Borrower affordability test | **Payment-to-income ratio**: ≤50%<br>**Debt-to-income ratio**: ≤55% | **Payment-to-income ratio**: ≤50%<br>**Debt-to-income ratio**: **≤60%** |
| Mortgage tenor | ≤30 years | **≤40 years** |

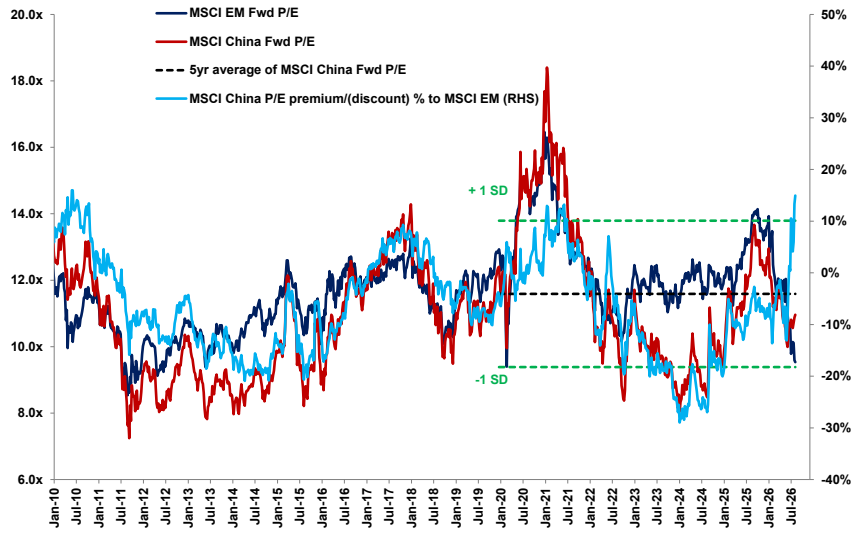
Source: Government website, Morgan Stanley Research

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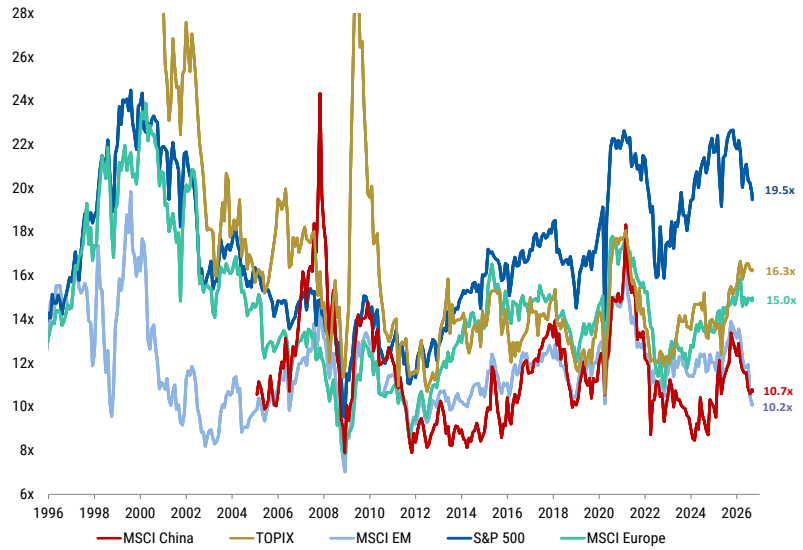
# MSCI China trades at 10.7x 12-month forward P/E, ~5% premium vs. MSCI EM

## MSCI China Fwd P/E vs. MSCI EM Fwd P/E




Source: Datastream, MSCI, Morgan Stanley Research. Note: Data as of Sep 2, 2026.

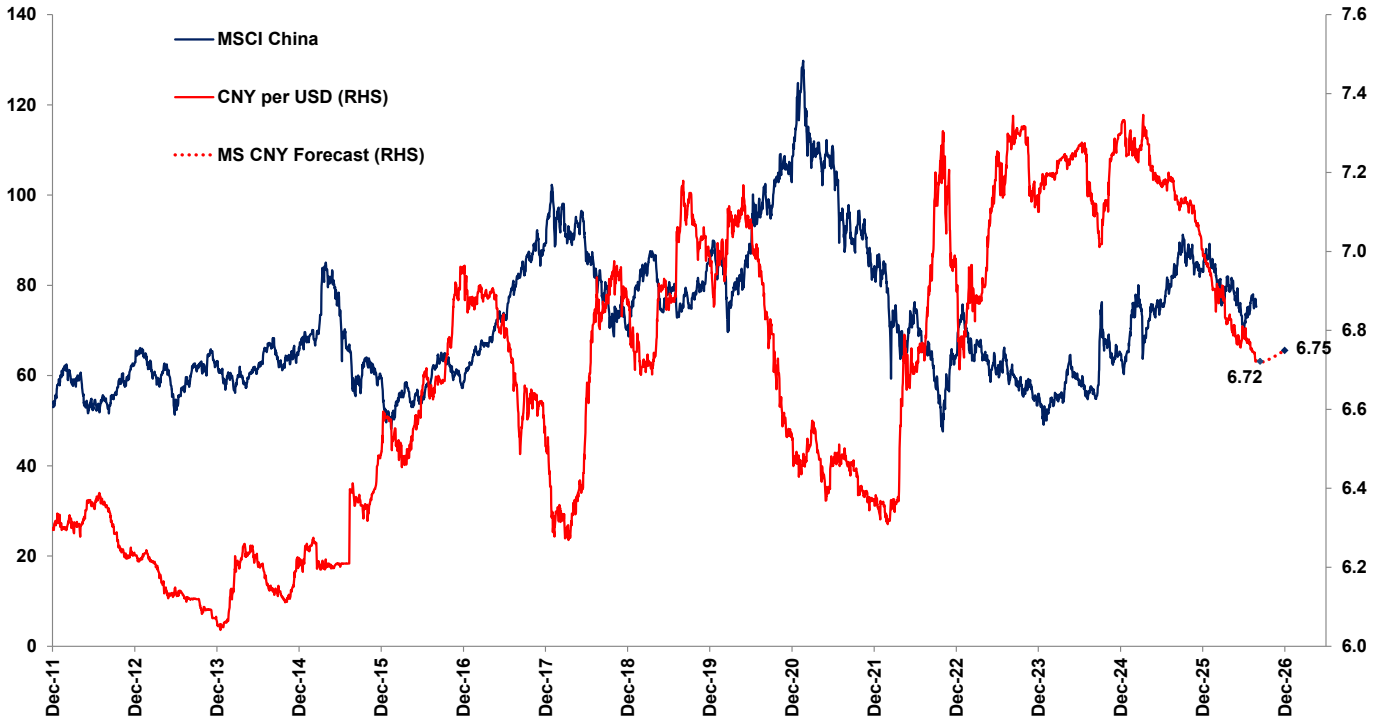
## MSCI China still trades at discounts to other major global equity markets




Source: Bloomberg, FactSet, Morgan Stanley Research. Note: Data as of Sep 2, 2026.

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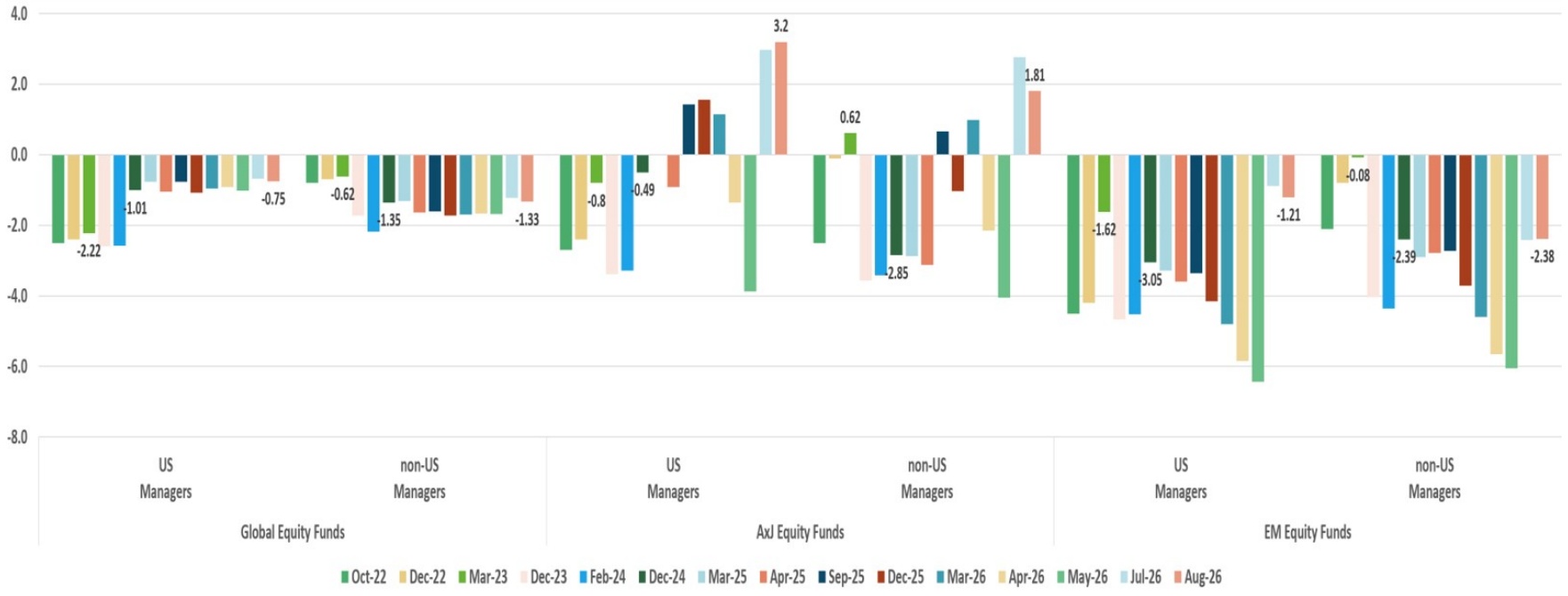
## MSCI China vs. USDCNY – We see range-bound currency level in the coming months




Source: CEIC, Morgan Stanley Research. Data as of August 25, 2026. MS China Economics team expects USDCNY to reach 6.72 and 6.75 by 3Q26 and 2026, respectively.

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## Active weights of China/HK equities by regional fund category and manager domicile – Global and EM managers' UW narrowed in July amid other market pullbacks

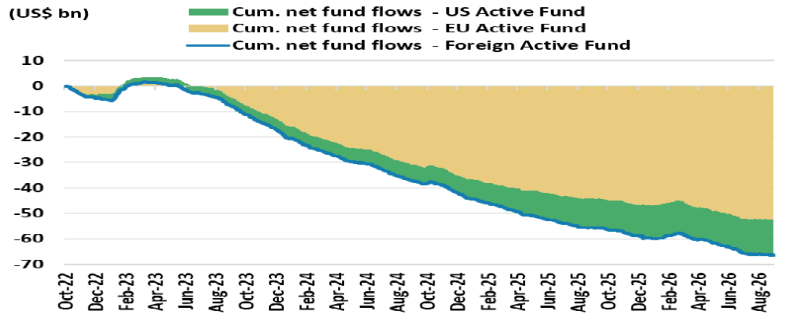



Source: Morningstar, FactSet, EPFR, Morgan Stanley Research; Note: Data refreshed as of August 31, 2026, most funds have disclosed data up to July 31. Fund universe of each category is formed by the largest 30 active mutual funds under Morningstar regional category. Funds under "non-US Managers" are mostly domiciled in Europe. We exclude ESG funds, Income funds, and Systematic funds. All the covered funds are benchmarking to either MSCI or FTSE standard regional indices of All Country World, Asia ex Japan, or Emerging Markets. The EPFR data and charts displayed here must not be extracted and republished (whether internally or externally). Such use will violate the terms of Morgan Stanley's contract with EPFR which only covers named users.

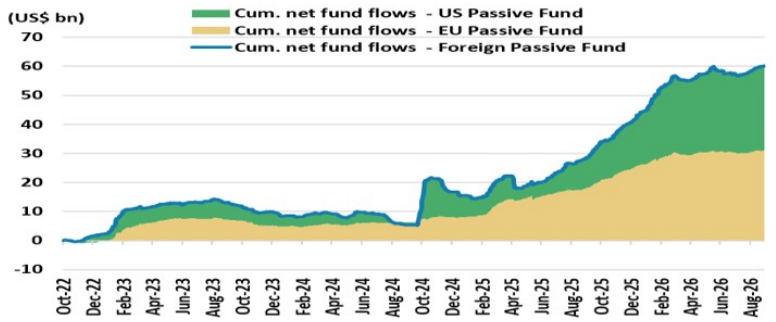
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# Foreign mutual fund 2026 YTD inflows around 50% of full-year 2025 level, still largely driven by passive funds

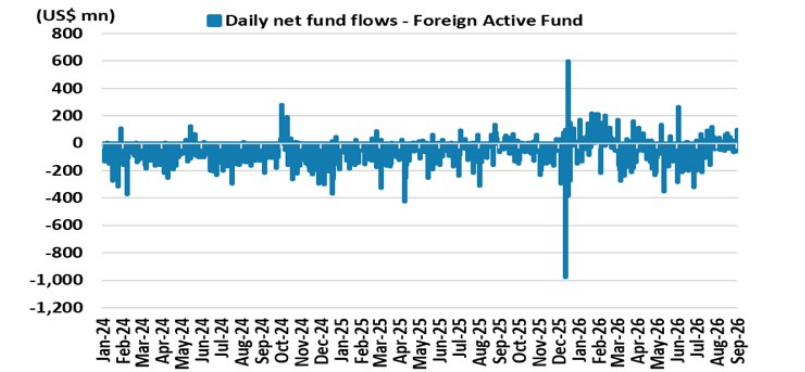
## Daily cumulative fund flows – Foreign active funds



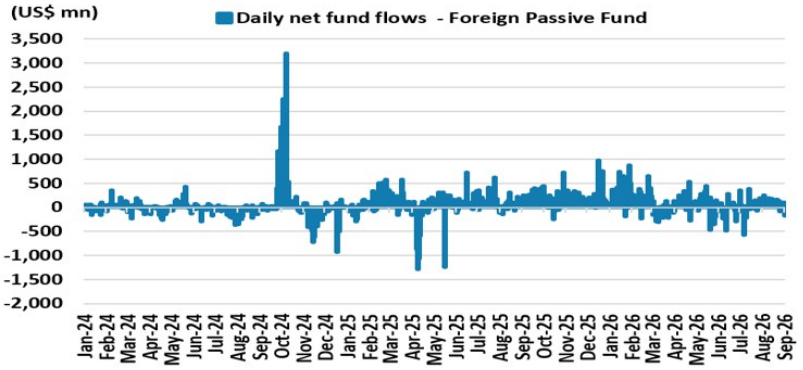

## Daily cumulative fund flows – Foreign passive funds




## Daily net fund flows – Foreign active funds




## Daily net fund flows – Foreign passive funds




Source: EPFR, Morgan Stanley Research. Note: Data as of August 31, 2026.

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## EM and China active managers' active exposure in China/HK equities by GICS industry group

| | | International & US Funds | | | International Funds - UCITS | | | US Funds | | |
|---|---|---|---|---|---|---|---|---|---|---|
| GICS Industry Group | MSCI China Index Weights | Portfolio Composite Weights | Active Weights | Active Weights Changes vs. last month | Portfolio Composite Weights | Active Weights | Active Weights Changes vs. last month | Portfolio Composite Weights | Active Weights | Active Weights Changes vs. last month |
| Capital Goods | 3.8% | 12.5% | 8.7% | 0.1% | 13.0% | 9.2% | 0.2% | 11.9% | 8.1% | 0.1% |
| Insurance | 5.0% | 7.7% | 2.7% | -0.6% | 6.8% | 1.9% | -0.6% | 8.6% | 3.7% | -0.5% |
| Consumer Durables & Apparel | 1.7% | 3.6% | 1.9% | -0.2% | 3.9% | 2.2% | -0.3% | 3.2% | 1.5% | -0.1% |
| Semiconductors & Semiconductor Equipment | 2.6% | 4.4% | 1.8% | 1.7% | 5.2% | 2.6% | 1.8% | 3.6% | 1.0% | 1.7% |
| Pharmaceuticals Biotechnology & Life Sciences | 4.7% | 6.0% | 1.3% | 0.8% | 5.8% | 1.1% | 0.8% | 6.2% | 1.5% | 0.8% |
| Materials | 5.2% | 6.5% | 1.3% | 0.7% | 5.9% | 0.7% | 0.7% | 7.1% | 1.9% | 0.6% |
| Commercial & Professional Services | 0.2% | 0.7% | 0.5% | 0.0% | 0.9% | 0.6% | 0.1% | 0.5% | 0.3% | 0.0% |
| Food Beverage & Tobacco | 2.5% | 3.0% | 0.5% | -0.3% | 3.2% | 0.7% | -0.3% | 2.8% | 0.2% | -0.2% |
| Health Care Equipment & Services | 0.3% | 0.7% | 0.4% | 0.0% | 0.8% | 0.5% | 0.0% | 0.7% | 0.3% | 0.0% |
| Consumer Staples Distribution & Retail | 0.3% | 0.4% | 0.1% | 0.0% | 0.6% | 0.3% | 0.0% | 0.1% | -0.2% | 0.0% |
| Transportation | 1.6% | 1.7% | 0.1% | -0.1% | 1.9% | 0.2% | -0.2% | 1.5% | -0.1% | -0.1% |
| Real Estate Management & Development | 1.5% | 1.6% | 0.0% | 0.0% | 2.0% | 0.4% | 0.0% | 1.1% | -0.4% | 0.0% |
| Household & Personal Products | 0.1% | 0.1% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% |
| Telecommunication Services | 0.3% | 0.1% | -0.1% | 0.0% | 0.2% | 0.0% | 0.0% | 0.0% | -0.2% | 0.0% |
| Financial Services | 1.9% | 1.6% | -0.4% | 0.2% | 2.0% | 0.0% | 0.2% | 1.1% | -0.8% | 0.3% |
| Software & Services | 0.9% | 0.2% | -0.7% | 0.0% | 0.2% | -0.7% | 0.0% | 0.2% | -0.7% | 0.0% |
| Consumer Services | 5.0% | 4.1% | -0.8% | -0.6% | 4.4% | -0.6% | -0.6% | 3.9% | -1.1% | -0.6% |
| Automobiles & Components | 4.4% | 3.4% | -1.0% | -0.5% | 3.4% | -1.0% | -0.6% | 3.4% | -1.0% | -0.4% |
| Media & Entertainment | 18.9% | 17.7% | -1.2% | -0.9% | 15.1% | -3.8% | -0.8% | 20.5% | 1.6% | -0.9% |
| Utilities | 1.8% | 0.6% | -1.2% | 0.0% | 0.6% | -1.3% | 0.0% | 0.6% | -1.2% | 0.0% |
| Technology Hardware & Equipment | 6.7% | 5.0% | -1.8% | 2.5% | 5.3% | -1.4% | 2.7% | 4.6% | -2.1% | 2.3% |
| Energy | 3.3% | 1.3% | -2.1% | -0.1% | 1.0% | -2.3% | -0.1% | 1.5% | -1.8% | -0.1% |
| Consumer Discretionary Distribution & Retail | 14.0% | 9.9% | -4.1% | -2.1% | 9.9% | -4.1% | -2.1% | 9.9% | -4.0% | -2.1% |
| Banks | 12.9% | 7.1% | -5.8% | -0.6% | 7.6% | -5.3% | -0.5% | 6.6% | -6.4% | -0.7% |

Morgan Stanley

## Top 50 China/HK holdings among Long-only EM and China active managers

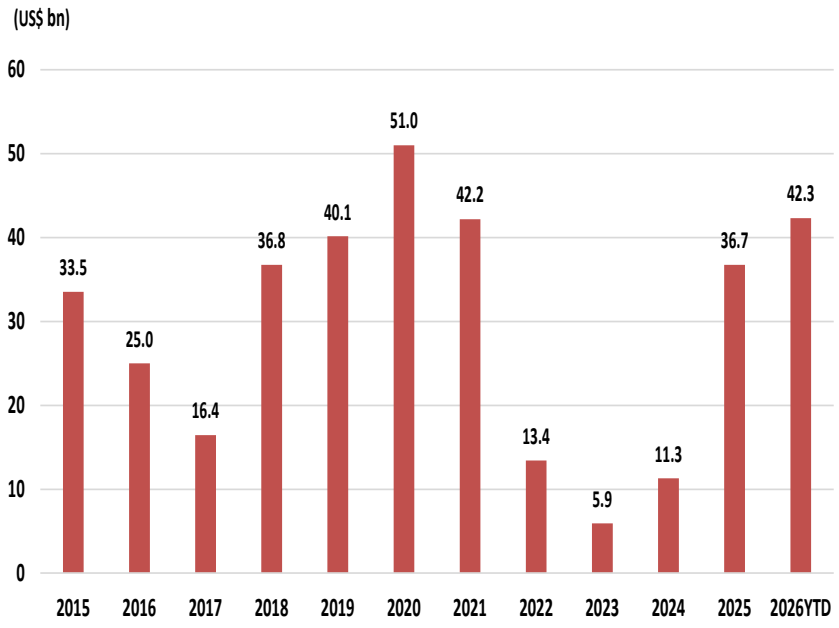
| | | | International & US Funds | | | | International Funds - UCITS | | | US Funds | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ticker | Company Name | GICS Industry Group | Portfolio Composite Weights | MSCI China Index Weights | Active Weights | Active Wgt. Changes vs. last month | Portfolio Composite Weights | Active Weights | Active Wgt. Changes vs. last month | Portfolio Composite Weights | Active Weights | Active Wgt. Changes vs. last |
| 700-HK | Tencent Holdings | Media & Entertainment | 14.4% | 14.6% | -0.2% | -0.7% | 11.6% | -3.0% | -0.6% | 17.3% | -2.7% | -0.8% |
| 9988-HK | Alibaba Group Holding | Consumer Discretionary Distribution & Retail | 8.0% | 9.8% | -1.8% | -1.7% | 7.5% | -2.2% | -1.7% | 8.4% | -1.4% | -1.7% |
| 300750-CN | Contemporary Amperex Technology | Capital Goods | 4.5% | 1.1% | 3.4% | 0.0% | 4.4% | 3.3% | 0.0% | 4.6% | 3.4% | -0.1% |
| 939-HK | China Construction Bank | Banks | 3.2% | 3.9% | -0.8% | -0.2% | 2.7% | -1.3% | -0.1% | 3.7% | -0.3% | -0.2% |
| 2318-HK | Ping An Insurance Group | Insurance | 2.7% | 2.1% | 0.6% | -0.3% | 3.1% | 1.0% | -0.3% | 2.3% | 0.2% | -0.3% |
| 1299-HK | AIA Group | Insurance | 2.6% | 0.0% | 2.6% | -0.1% | 2.2% | 2.2% | 0.0% | 3.1% | 3.1% | -0.1% |
| 2899-HK | Zijin Mining Grp Co Ltd | Materials | 2.3% | 1.2% | 1.1% | -0.9% | 1.8% | 0.6% | -0.9% | 2.8% | 1.6% | -1.0% |
| 9999-HK | NetEase | Media & Entertainment | 2.1% | 1.8% | 0.2% | -0.1% | 2.3% | 0.5% | -0.1% | 1.8% | 0.0% | 0.0% |
| 2359-HK | WuXi AppTec | Pharmaceuticals Biotechnology & Life Sciences | 1.7% | 0.4% | 1.3% | 0.4% | 1.1% | 0.7% | 0.2% | 2.3% | 1.9% | 0.5% |
| 3968-HK | China Merchants Bank | Banks | 1.6% | 1.2% | 0.4% | -0.2% | 2.0% | 0.8% | -0.2% | 1.2% | 0.0% | -0.2% |
| 1211-HK | BYD | Automobiles & Components | 1.3% | 1.9% | -0.6% | -0.3% | 0.8% | -1.1% | -0.3% | 1.9% | 0.0% | -0.3% |
| 000333-CN | Midea Group | Consumer Durables & Apparel | 1.3% | 0.3% | 1.0% | -0.1% | 1.4% | 1.1% | -0.1% | 1.3% | 1.0% | 0.0% |
| 688008-CN | Montage Technology | Semiconductors & Semiconductor Equipment | 1.3% | 0.1% | 1.2% | 0.1% | 1.2% | 1.1% | 0.1% | 1.4% | 1.3% | 0.1% |
| HTHT-US | H World Group | Consumer Services | 1.2% | 0.3% | 0.9% | 0.2% | 1.1% | 0.8% | 0.2% | 1.4% | 1.1% | 0.2% |
| 688012-CN | Advanced Micro-Fabrication Equipment | Semiconductors & Semiconductor Equipment | 1.1% | 0.1% | 1.0% | 0.2% | 1.0% | 0.9% | 0.1% | 1.1% | 1.0% | 0.2% |
| 992-HK | Lenovo Group | Technology Hardware & Equipment | 1.0% | 0.9% | 0.1% | 0.3% | 0.7% | -0.2% | 0.3% | 1.3% | 0.4% | 0.3% |
| PDD-US | PDD Holdings | Consumer Discretionary Distribution & Retail | 1.0% | 2.0% | -1.0% | -0.1% | 1.3% | -0.7% | -0.2% | 0.6% | -1.3% | -0.1% |
| 600519-CN | Kweichow Moutai | Food Beverage & Tobacco | 1.0% | 0.6% | 0.4% | -0.1% | 1.1% | 0.5% | -0.1% | 0.8% | 0.2% | -0.1% |
| 2628-HK | China Life Insurance | Insurance | 0.9% | 1.1% | -0.2% | 0.0% | 0.3% | -0.8% | 0.0% | 1.6% | 0.4% | 0.0% |
| 1398-HK | Industrial and Commercial Bank of China | Banks | 0.9% | 2.6% | -1.7% | -0.1% | 1.2% | -1.4% | -0.1% | 0.5% | -2.1% | -0.2% |
| 2328-HK | PICC Property & Casualty | Insurance | 0.8% | 0.6% | 0.3% | -0.1% | 0.6% | 0.0% | -0.1% | 1.1% | 0.6% | -0.1% |
| 002028-CN | Sieyuan Electric | Capital Goods | 0.8% | 0.0% | 0.8% | -0.1% | 0.7% | 0.7% | 0.0% | 0.9% | 0.9% | -0.1% |
| 6160-HK | BeOne Medicines | Pharmaceuticals Biotechnology & Life Sciences | 0.8% | 0.8% | 0.0% | 0.1% | 0.7% | -0.1% | 0.1% | 0.9% | 0.1% | 0.1% |
| 600660-CN | Fuyao Glass Industry Grp | Automobiles & Components | 0.8% | 0.2% | 0.5% | 0.0% | 0.9% | 0.6% | 0.0% | 0.7% | 0.4% | 0.0% |
| 3690-HK | Meituan | Consumer Services | 0.8% | 2.3% | -1.6% | -0.6% | 0.9% | -1.4% | -0.5% | 0.6% | -1.7% | -0.6% |
| 002371-CN | NAURA Technology Group | Semiconductors & Semiconductor Equipment | 0.7% | 0.2% | 0.6% | 0.0% | 0.8% | 0.6% | 0.0% | 0.7% | 0.5% | 0.0% |
| 2338-HK | Weichai Power | Capital Goods | 0.7% | 0.4% | 0.3% | 0.0% | 0.6% | 0.2% | 0.0% | 0.8% | 0.4% | 0.0% |
| 3692-HK | Hansoh Pharmaceutical Group | Pharmaceuticals Biotechnology & Life Sciences | 0.7% | 0.2% | 0.5% | 0.1% | 0.3% | 0.1% | 0.0% | 1.2% | 1.0% | 0.2% |
| 1801-HK | Innovent Biologics | Pharmaceuticals Biotechnology & Life Sciences | 0.7% | 0.6% | 0.1% | 0.2% | 0.8% | 0.2% | 0.2% | 0.6% | -0.1% | 0.1% |
| 600031-CN | Sany Heavy Industry | Capital Goods | 0.7% | 0.1% | 0.6% | -0.1% | 0.5% | 0.4% | -0.1% | 0.9% | 0.8% | -0.1% |
| 669-HK | Techtronic Industries | Capital Goods | 0.7% | 0.0% | 0.7% | 0.0% | 0.5% | 0.5% | 0.0% | 0.8% | 0.8% | 0.0% |
| 388-HK | Hong Kong Exchanges & Clearing | Financial Services | 0.7% | 0.0% | 0.7% | 0.0% | 0.7% | 0.7% | 0.1% | 0.6% | 0.6% | 0.0% |
| 600690-CN | Haier Smart Home | Consumer Durables & Apparel | 0.6% | 0.3% | 0.3% | -0.1% | 0.5% | 0.2% | -0.1% | 0.8% | 0.5% | -0.1% |
| 9961-HK | Trip.com Group | Consumer Services | 0.6% | 1.1% | -0.5% | -0.1% | 0.8% | -0.3% | -0.2% | 0.4% | -0.7% | -0.1% |
| 857-HK | PetroChina | Energy | 0.6% | 1.1% | -0.5% | -0.1% | 0.5% | -0.6% | -0.1% | 0.7% | -0.5% | -0.1% |
| YMM-US | Full Truck Alln | Transportation | 0.6% | 0.3% | 0.3% | -0.1% | 0.7% | 0.4% | -0.1% | 0.5% | 0.2% | 0.0% |
| 2020-HK | ANTA Sports Products | Consumer Durables & Apparel | 0.6% | 0.5% | 0.1% | 0.0% | 0.7% | 0.2% | 0.0% | 0.4% | -0.1% | 0.0% |
| 1109-HK | China Resources Land | Real Estate Management & Development | 0.6% | 0.5% | 0.1% | 0.0% | 0.7% | 0.2% | 0.0% | 0.4% | 0.0% | 0.0% |
| 9618-HK | JD.com | Consumer Discretionary Distribution & Retail | 0.6% | 1.5% | -0.9% | -0.3% | 0.5% | -0.9% | -0.2% | 0.6% | -0.9% | -0.3% |
| 9888-HK | Baidu | Media & Entertainment | 0.5% | 1.1% | -0.6% | 0.0% | 0.5% | -0.6% | 0.0% | 0.5% | -0.6% | 0.1% |
| BZ-US | Kanzhun | Commercial & Professional Services | 0.5% | 0.2% | 0.3% | 0.0% | 0.6% | 0.3% | 0.0% | 0.5% | 0.3% | 0.0% |
| 002475-CN | Luxshare Precision Industry | Technology Hardware & Equipment | 0.5% | 0.1% | 0.3% | 0.1% | 0.3% | 0.1% | 0.1% | 0.7% | 0.6% | 0.0% |
| 2259-HK | Zijin Gold International | Materials | 0.5% | 0.2% | 0.3% | 0.1% | 0.6% | 0.4% | 0.1% | 0.4% | 0.2% | 0.1% |
| 1208-HK | MMG | Materials | 0.5% | 0.2% | 0.3% | 0.0% | 0.1% | -0.1% | 0.0% | 0.9% | 0.7% | 0.1% |
| 601600-CN | Aluminum Corp of China | Materials | 0.4% | 0.2% | 0.2% | 0.0% | 0.1% | -0.1% | 0.0% | 0.8% | 0.6% | 0.1% |
| 600276-CN | Jiangsu Hengrui Pharmaceuticals | Pharmaceuticals Biotechnology & Life Sciences | 0.4% | 0.1% | 0.3% | -0.1% | 0.6% | 0.4% | -0.1% | 0.3% | 0.2% | -0.1% |
| 2319-HK | China Mengniu Dairy | Food Beverage & Tobacco | 0.4% | 0.3% | 0.1% | 0.0% | 0.6% | 0.4% | 0.0% | 0.2% | -0.1% | 0.0% |
| 1810-HK | Xiaomi | Technology Hardware & Equipment | 0.4% | 2.5% | -2.1% | -0.5% | 0.5% | -2.0% | -0.5% | 0.3% | -2.2% | -0.5% |

Source: FactSet, MorningStar, EPFR, Morgan Stanley Research. Note: Data as of August 31, 2026, most funds have disclosed data up to July 31.

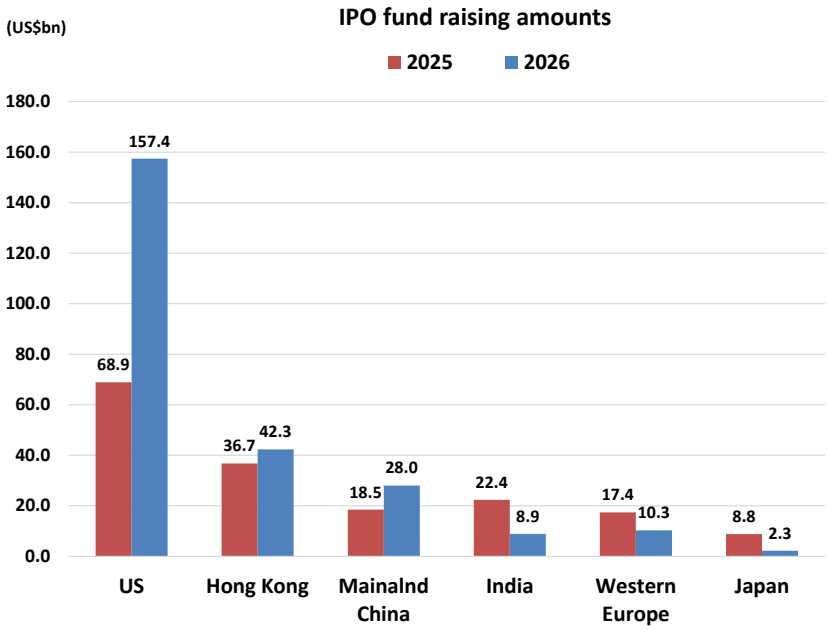
Morgan Stanley

# Hong Kong IPO fund-raising hit US$37bn and US$42bn in 2025 and 2026 YTD, respectively, making Hong Kong one of the most-active IPO markets globally

## Historical IPO USD amount in Hong Kong by year




## 2025-26 YTD IPO fund raising by market

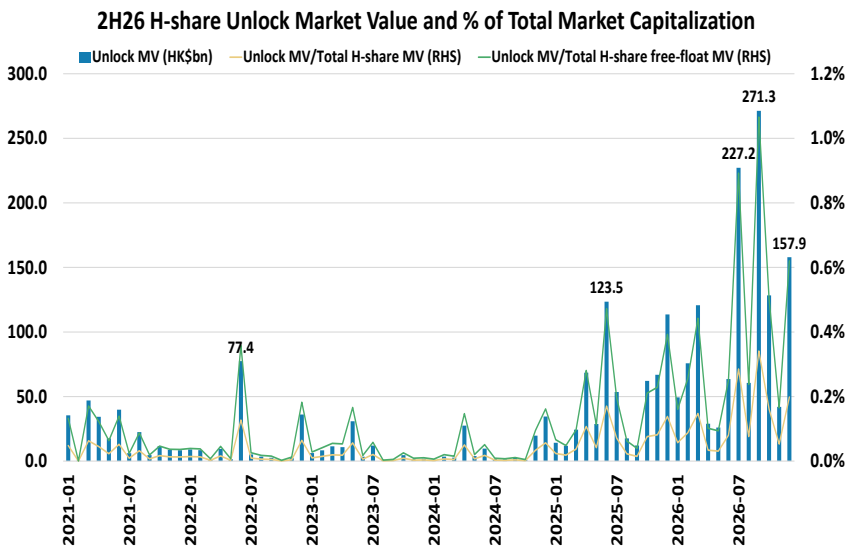



Source: Wind, Bloomberg, Morgan Stanley Research. Data as of August 26, 2026.

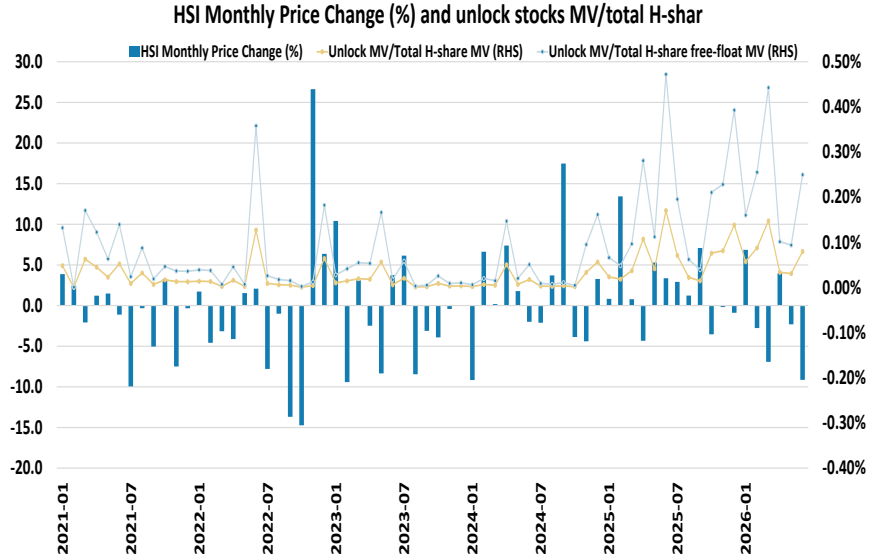
Morgan Stanley

# Watch out for the largest IPO share unlocking month in September for Hong Kong (I) – Market-level impact mixed historically…

## September and July 2026 rank no. 1 and no. 2, respectively, in the past five years




## Large unlocking months have not consistently coincided with weak market performance

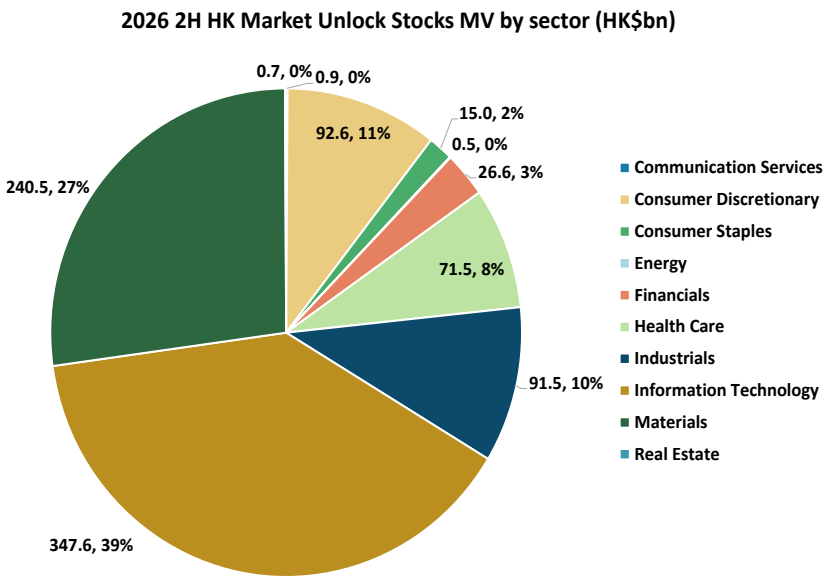



Source: Wind, Morgan Stanley Research. Note: Monthly unlocked market value as a percentage of total H-share market capitalization and free-float market capitalization is calculated using market capitalization as of the prior month-end.

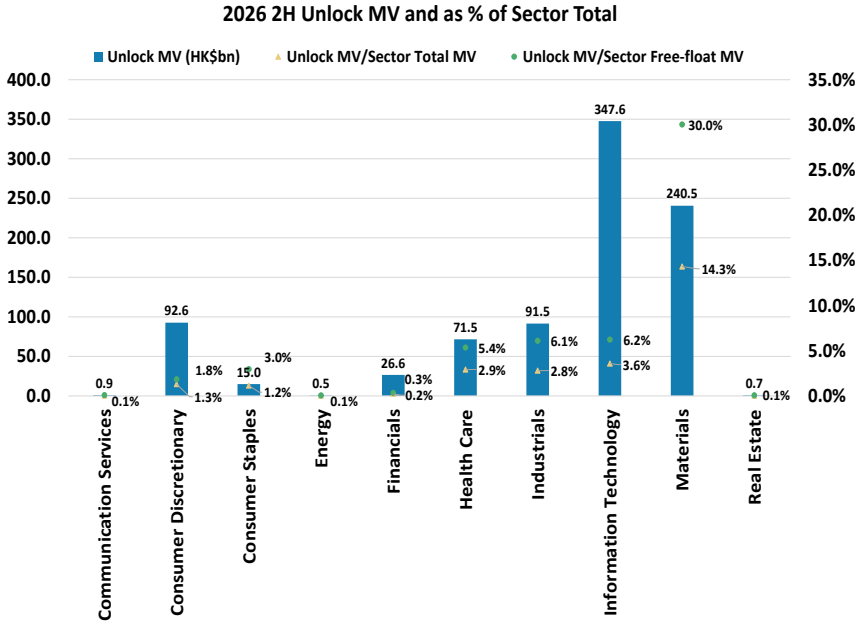
Morgan Stanley

# Watch out for the largest IPO share unlocking month in September for Hong Kong (II) – However, IT and Materials could be facing bigger supply flow at the sector level

## IT and Materials are the top two sectors in 2H26 HK market value unlocking




## IT and Materials top the ranking by absolute and relative (to market cap) sizes

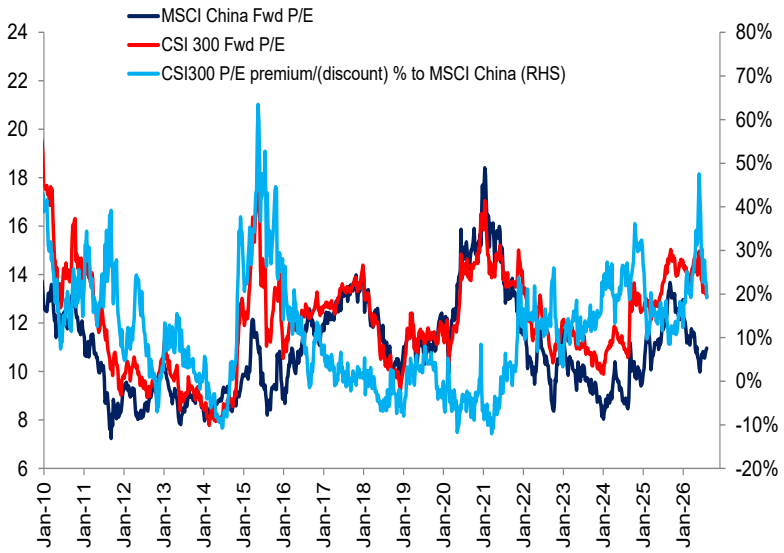



Source: Wind, Morgan Stanley Research. Note: Monthly unlocked market value as a percentage of total H-share market capitalization and free-float market capitalization is calculated using market capitalization as of the prior month-end.

Morgan Stanley

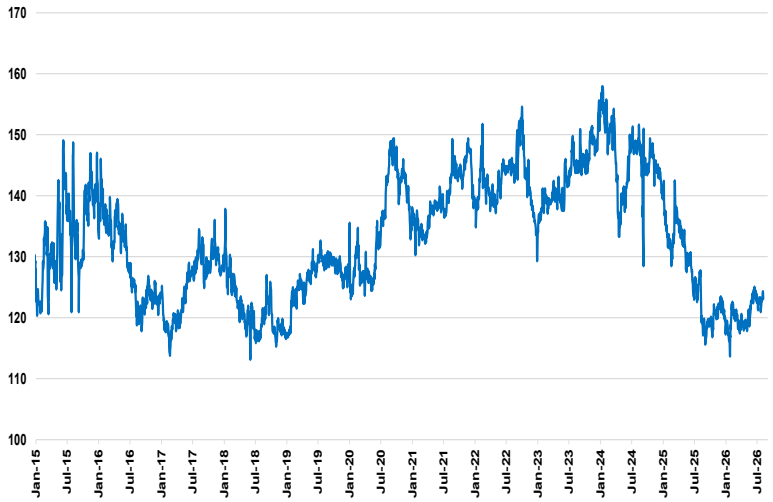
# CSI 300 trades at 13.1x with ~19% valuation premium to MSCI China

## Valuation of CSI300 absolute and relative to MSCI China




Source: Datastream, Morgan Stanley Research. Weekly data as of Sep 2, 2026.

## Hang Seng A-H Premium index

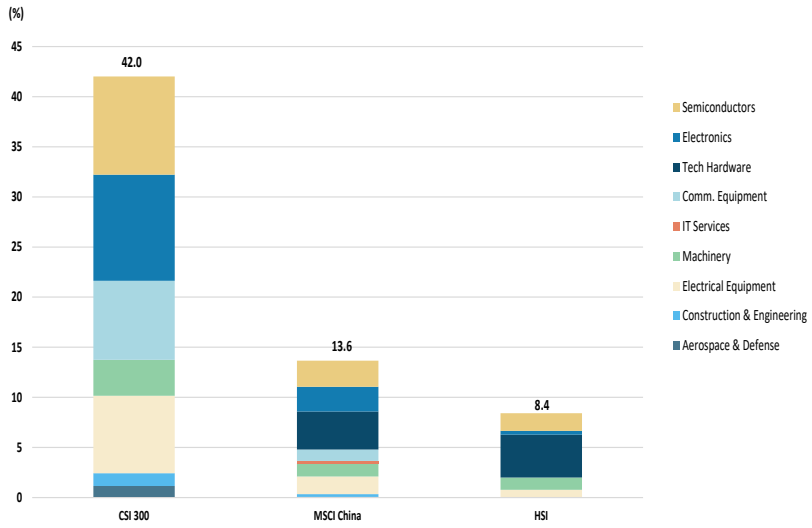



Source: Factset, Morgan Stanley Research. Data as of Sep 2, 2026

Morgan Stanley

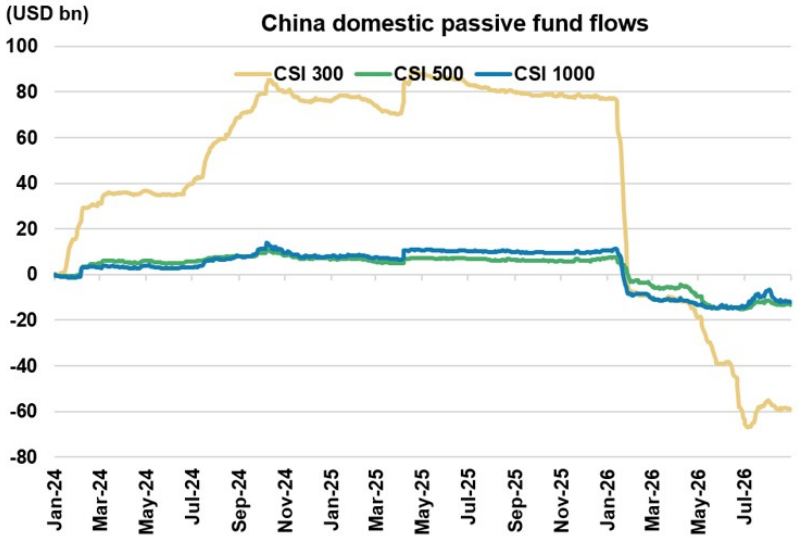
# A-share market's high exposure to high-end upstream and deep tech space has led to higher correlation with the global market; National team retains ample dry powder

## Bigger concentration in high-end manufacturing and hard-tech companies in A-shares




Source: Datastream, Morgan Stanley Research. Data as of August 26, 2026.

## National team retains ample dry powder




Source: Factset, Morgan Stanley Research. Data as of August 31, 2026

Morgan Stanley

# A-share large tech IPOs' implication on the market (I) – May add to near-term market liquidity squeeze and trading breadth narrowing, but likely only temporarily

**Across five tech IPOs raising over Rmb10bn since 2010, average daily trading volume as a share of market turnover fell by 0.5ppt in weeks 2-4 after listing versus week 1.**

| Ticker | Company Name | Listing Date | Average Daily Trading Volume of The Company (Rmb bn) | | Average Daily Trading Volume of Total Market (Rmb bn) | | % of Average Daily Trading Volume of The Company / Total Market | | Change |
|---|---|---|---|---|---|---|---|---|---|
| | | | 1 Week After Listing | 2-4 Weeks After Listing | 1 Week After Listing | 2-4 Weeks After Listing | 1 Week After Listing | 2-4 Weeks After Listing | |
| 601138.SH | Foxconn Industrial Internet Co.,Ltd. | 2018-06-08 | 4.9 | 1.8 | 343.8 | 349.1 | 1.4% | 0.5% | 0.9% |
| 688981.SH | Semiconductor Manufacturing International Corporation | 2020-07-16 | 19.3 | 5.1 | 1,240.6 | 947.1 | 1.6% | 0.5% | 1.0% |
| 688041.SH | Hygon Information Technology Co., Ltd. | 2022-08-12 | 3.0 | 0.9 | 1,046.7 | 685.5 | 0.3% | 0.1% | 0.2% |
| 688469.SH | United Nova Technology Co.,Ltd. | 2023-05-10 | 1.7 | 0.4 | 895.8 | 968.3 | 0.2% | 0.0% | 0.2% |
| 688347.SH | Hua Hong Grace Semiconductor Limited | 2023-08-07 | 1.6 | 0.5 | 774.6 | 707.4 | 0.2% | 0.1% | 0.1% |
| | Average | | 6.1 | 1.7 | 860.3 | 731.5 | 0.7% | 0.3% | 0.5% |

Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Wind, Bloomberg, Morgan Stanley Research.

Morgan Stanley

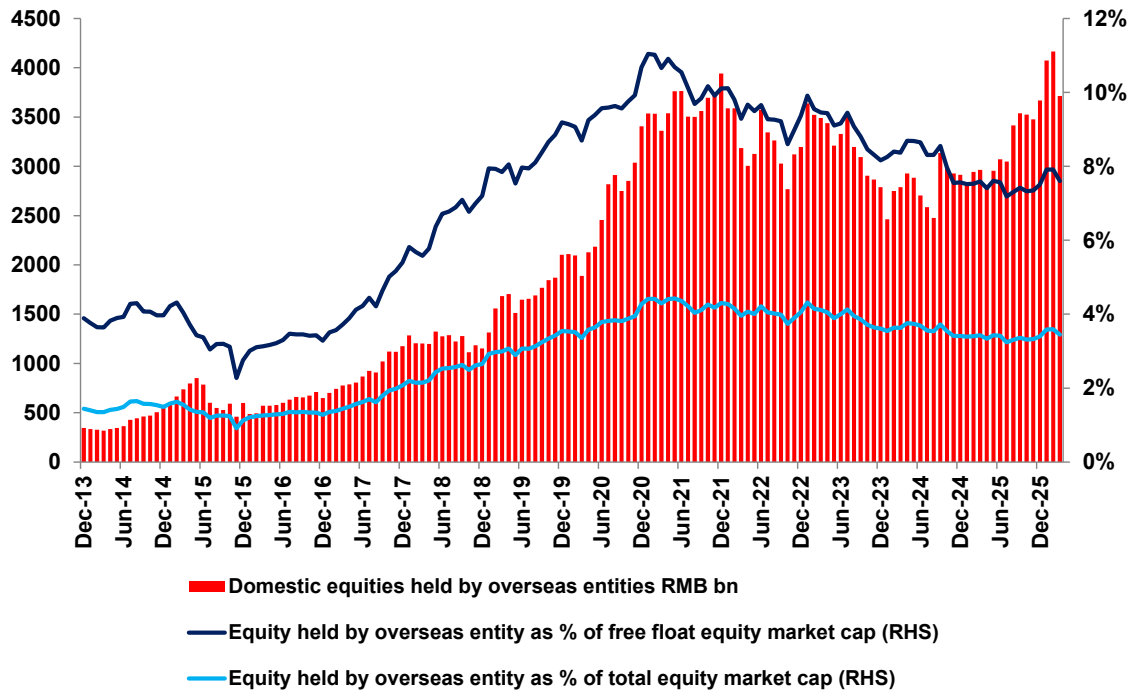
# A-share large tech IPOs' implication on the market (II) – Subsequent stock performance key to watch

| Ticker | Company Name | Listing Date | IPO Funding Size (Rmb bn) | IPO Offer Price | Close Price on IPO date | Price Change on IPO date | Free-floats % of total market cap | First Peak Date | Time to First Peak (Days) | Peak Price (Rmb) | Upside to Peak % | Perf. relative to CSI 300 | Perf. relative to SHCOMP | FirstTrough Date | Time to Trough Point (Days) | Trough Price (Rmb) | Pullback % | Perf. relative to CSI 300 | Perf. relative to SHCOMP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 688981.SH | Semiconductor Manufacturing International | 2020-07-16 | 53.2 | 27.5 | 82.9 | 202.0% | 29.9% | 2020-08-06 | 21 | 84.8 | 2.3% | 1.9% | 1.5% | 2022-10-25 | 810 | 37.6 | (55.7%) | (31.6%) | (43.8%) |
| 601138.SH | Foxconn Indl Internet | 2018-06-08 | 27.1 | 13.8 | 19.8 | 44.0% | 5.7% | 2018-06-13 | 5 | 25.7 | 29.7% | 30.8% | 31.6% | 2023-02-28 | 1721 | 9.6 | (62.7%) | (69.0%) | (69.2%) |
| 688347.SH | Hua Hong Grace Semiconductor | 2023-08-07 | 21.2 | 52.0 | 53.1 | 2.0% | 11.1% | 2023-08-08 | 1 | 53.4 | 0.6% | 1.6% | 1.5% | 2024-09-23 | 412 | 27.6 | (48.4%) | (28.9%) | (32.5%) |
| 688271.SH | Shanghai United Imaging Healthcare | 2022-08-22 | 11.0 | 109.9 | 181.2 | 64.9% | 5.7% | 2022-08-23 | 1 | 182.0 | 0.4% | 0.2% | (0.1%) | 2023-08-28 | 370 | 103.0 | (43.4%) | (33.2%) | (37.9%) |
| 688041.SH | Hygon Information Technology | 2022-08-12 | 10.8 | 36.0 | 60.1 | 66.9% | 8.6% | 2022-08-16 | 4 | 60.7 | 1.0% | 1.4% | 1.1% | 2022-10-11 | 56 | 38.0 | (37.4%) | (26.4%) | (28.3%) |
| 688795.SH | Moore Threads Tech Co. Ltd. | 2025-12-05 | 8.0 | 114.3 | 600.5 | 425.5% | 6.3% | 2025-12-11 | 6 | 941.1 | 56.7% | 56.6% | 56.8% | 2026-03-23 | 102 | 505.3 | (46.3%) | (42.5%) | (44.1%) |
| 688802.SH | MetaX Integrated Circuits | 2025-12-17 | 4.2 | 104.7 | 829.9 | 692.9% | 4.5% | 2025-12-17 | 0 | 829.9 | 0.0% | (1.8%) | (1.2%) | 2026-02-05 | 50 | 492.0 | (40.7%) | (44.6%) | (47.3%) |
| 688008.SH | Montage Technology | 2019-07-22 | 2.8 | 24.8 | 74.9 | 202.1% | 6.6% | 2019-08-05 | 14 | 85.7 | 14.3% | 17.8% | 17.8% | 2019-10-31 | 87 | 58.3 | (32.0%) | (35.7%) | (34.1%) |
| 688256.SH | Cambricon Technologies | 2020-07-20 | 2.6 | 64.4 | 212.4 | 229.9% | 7.8% | 2020-07-23 | 3 | 281.5 | 32.5% | 28.8% | 29.1% | 2023-01-20 | 911 | 61.0 | (78.3%) | (67.0%) | (76.3%) |

Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Wind, Bloomberg, Morgan Stanley Research.

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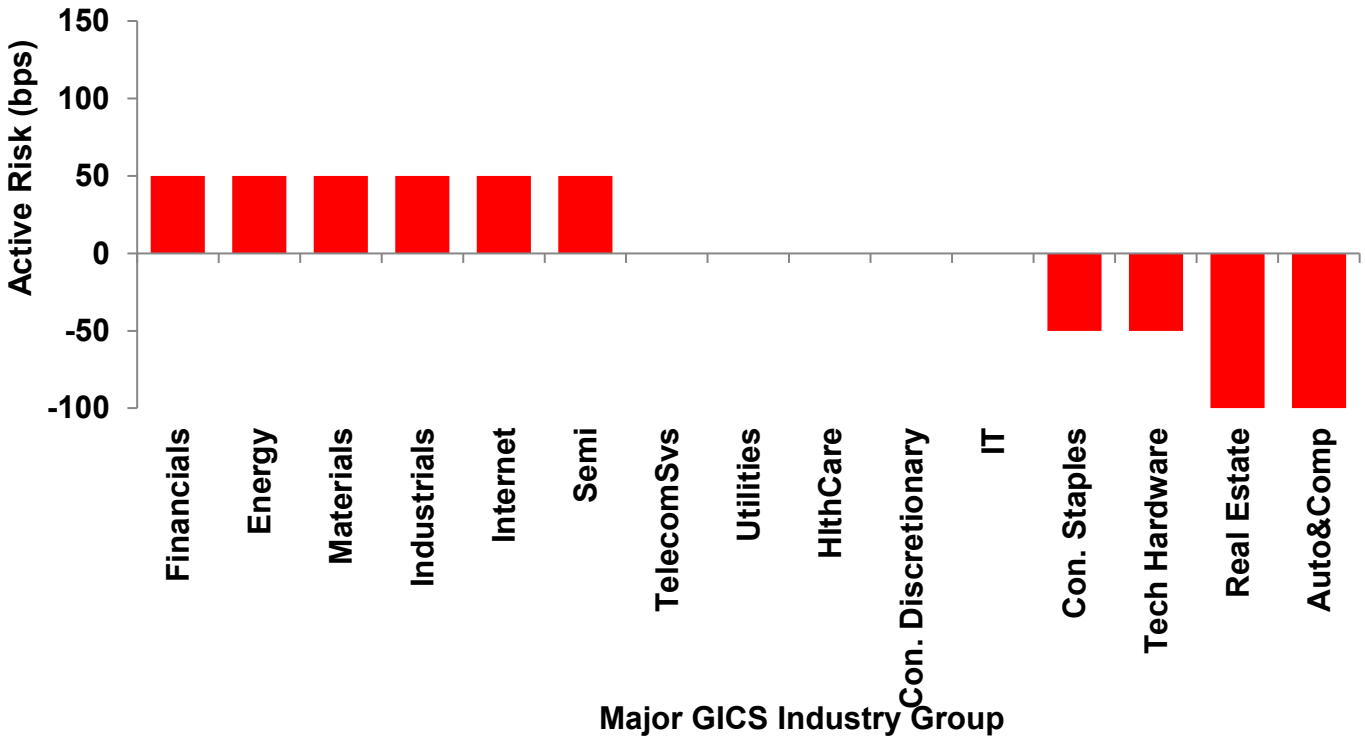
## Chinese A-share market foreign ownership as a percentage of total and free float market cap – No meaningful recovery yet




Source: CEIC, Wind, Bloomberg, FactSet, Morgan Stanley Research. Note: Quarterly data as of end-March 2026.

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## Morgan Stanley top-down sector allocation for China market – We maintain a Barbell strategy to balance growth and cash income, while staying cautious on macro dragged consumption




Source: Morgan Stanley Research.

Morgan Stanley

## Key recommended trades for the next 6-12 months

- Take profit from Hong Kong exposure and switch to A-shares; monitor signs for inflection, especially the global market situation and Beijing policy step-up

- Morgan Stanley China/Hong Kong Focus List and A-share Thematic Focus List

- China Best Business Model

- China's Global Export Champions

Source: Morgan Stanley Research.

Morgan Stanley

## China Best Business Models– Robust stock selection to weather global macro uncertainty with risk-adjusted return

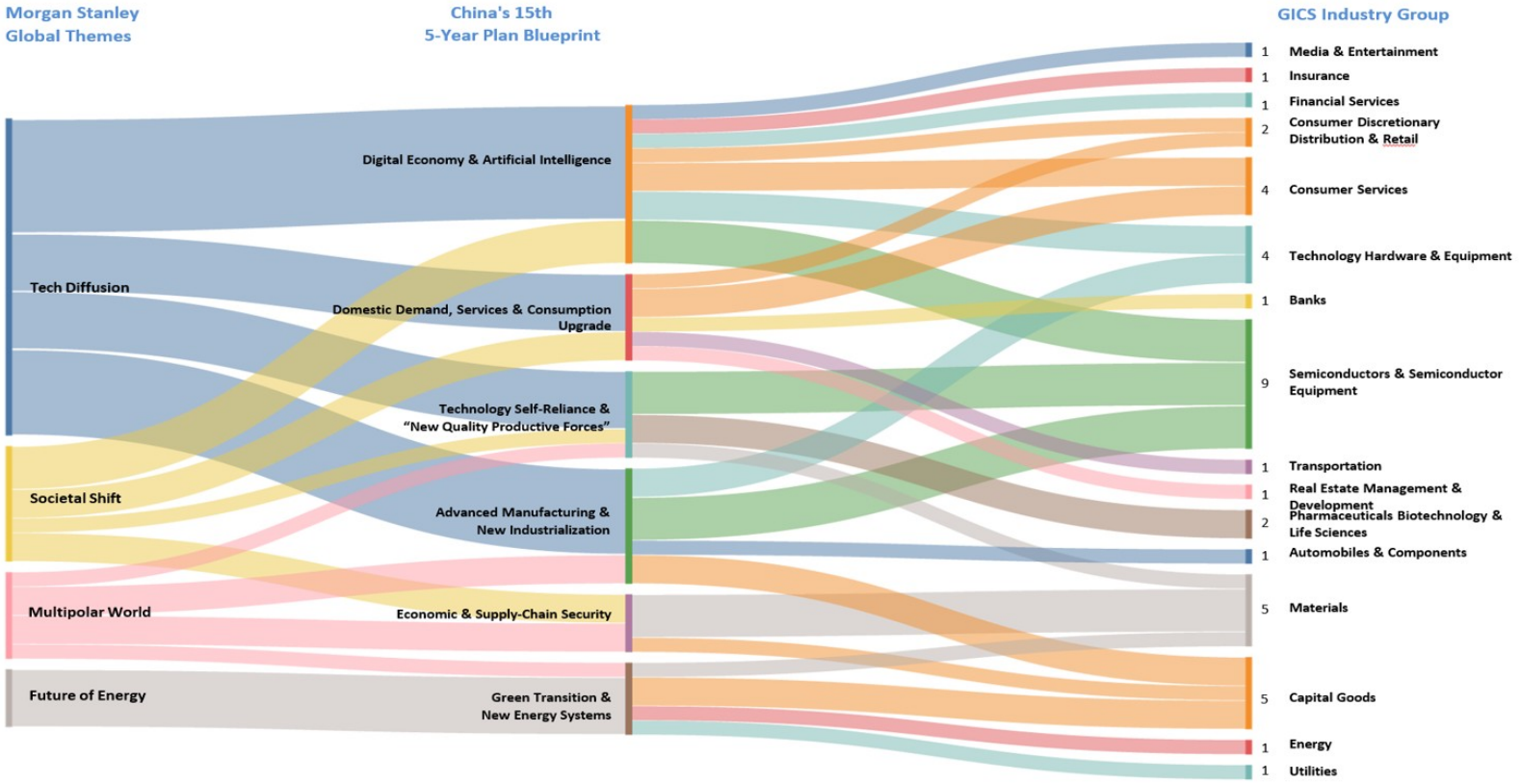



| | Annualized total return in US$ | | Standard deviation | | Sharpe ratio | |
|---|---|---|---|---|---|---|
| | China BBM v2 | MSCI China | China BBM v2 | MSCI China | China BBM v2 | MSCI China |
| 5 Yr (2021 - 2025) | 15.3% | (3.0%) | 22.5% | 27.1% | 0.53 | (0.24) |
| 3 Yr (2023 - 2025) | 27.8% | 11.8% | 20.4% | 24.0% | 1.16 | 0.32 |
| 1 Yr (Jul 2025 - Jul 2026) | 44.0% | (4.0%) | 23.0% | 20.1% | 1.73 | (0.41) |

Source: IBES, FactSet, Morgan Stanley Research. Data as of July, 2026.

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## China Best Business Models – Aligns with Morgan Stanley global theme as well as China's long-term national growth strategy plan




Source: Morgan Stanley Research.

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## China Best Business Models – 26 champions identified with best competitive advantages and industry moats from 16 industry groups

| Ticker | Company Name | GICS Sector | GICS Industry Group | MS Rating | MS Analyst | New Inclusion | MS Global Themes | AI Exposure |
|---|---|---|---|---|---|---|---|---|
| 0700.HK | Tencent Holdings Ltd. | Communication Service | Media & Entertainment | OW | Yu, Gary | | Tech Diffusion | AI enabler |
| 3606.HK | Fuyao Glass Industry Group | Consumer Discretionary | Automobiles & Components | EW | Wang, Shelley | | Multipolar World | Others – protected from AI disruption |
| BABA.N | Alibaba Group Holding | Consumer Discretionary | Consumer Discretionary Distribution & Retai | OW | Yu, Gary | | Tech Diffusion | AI enabler |
| YUMC.N | Yum China Holdings Inc. | Consumer Discretionary | Consumer Services | OW | Lou, Lillian | | Societal Shift | AI adopter |
| HTHT.O | H World Group Ltd | Consumer Discretionary | Consumer Services | OW | Chee, Dan | | Societal Shift | AI adopter |
| 0857.HK | PetroChina | Energy | Energy | OW | Lu, Jack | | Future of Energy | Others – protected from AI disruption |
| 002142.SZ | Bank of Ningbo Co. Ltd | Financials | Banks | OW | Xu, Richard | | Tech Diffusion | AI adopter |
| FUTU.O | Futu Holdings Ltd | Financials | Financial Services | OW | Huang, Chiyao | + | Tech Diffusion | AI adopter |
| 2318.HK | Ping An Insurance Group Co of China Ltd | Financials | Insurance | OW | Xu, Richard | | Societal Shift | AI adopter |
| 600276.SS | Jiangsu Hengrui | Health Care | Pharmaceuticals Biotechnology & Life Scienc | OW | Yan, Alexis | + | Societal Shift | AI adopter |
| 300750.SZ | Contemporary Amperex Technology Co. Ltd | Industrials | Capital Goods | OW | Lu, Jack | + | Future of Energy | AI enabler |
| 0669.HK | Techtronic Industries Co Ltd | Industrials | Capital Goods | OW | Cheng, Terence | + | Multipolar World | AI adopter |
| 002028.SZ | Sieyuan Electric Co.Ltd. | Industrials | Capital Goods | OW | Hou, Eva | + | Future of Energy | AI enabler |
| ZTO.N | ZTO Express | Industrials | Transportation | OW | Fan, Qianlei | + | Tech Diffusion | AI adopter |
| 002371.SZ | NAURA Technology Group Co Ltd | Information Technolog | Semiconductors & Semiconductor Equipmen | OW | Chan, Charlie | + | Tech Diffusion | AI enabler |
| 688008.SS | Montage Technology Co Ltd | Information Technolog | Semiconductors & Semiconductor Equipmen | OW | Yen, Daniel | + | Tech Diffusion | AI enabler |
| 0522.HK | ASMPT Ltd | Information Technolog | Semiconductors & Semiconductor Equipmen | OW | Dai, Daisy | + | Tech Diffusion | AI enabler |
| 601138.SS | Foxconn Industrial Internet Co. Ltd. | Information Technolog | Technology Hardware & Equipment | OW | Shih, Sharon | + | Tech Diffusion | AI enabler |
| 002475.SZ | Luxshare Precision Industry Co., Ltd. | Information Technolog | Technology Hardware & Equipment | OW | Shih, Sharon | | Tech Diffusion | Others – protected from AI disruption |
| 2899.HK | Zijin Mining Group | Materials | Materials | OW | Zhang, Rachel | + | Multipolar World | AI enabler |
| 6655.HK | Huaxin Building Materials | Materials | Materials | OW | Zhang, Rachel | + | Societal Shift | Others – protected from AI disruption |
| 300487.SZ | Sunresin New Materials Co Ltd | Materials | Materials | EW | Xu, Kaylee | + | Societal Shift | Others – protected from AI disruption |
| 1109.HK | China Resources Land Ltd. | Real Estate | Real Estate Management & Development | OW | Cheung, Stephen | + | Tech Diffusion | AI adopter |
| 600900.SS | China Yangtze Power Co. | Utilities | Utilities | OW | Hou, Eva | | Future of Energy | Others – protected from AI disruption |

Source: Morgan Stanley Research. For important disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures.

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# Morgan Stanley global export champion stock list

| Ticker | Company name | Analyst Rating | GICS industry group | Last Price (US$) | Avg daily t/o | Mkt cap. | Upside to target | EPS Growth (MS estimate) | | ROE | | PE | | DY | | Analyst | 2025 Overseas revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | US$ mn | US$ bn | | 2026e | 2027e | 2026e | 2027e | 2026e | 2027e | 2026e | 2027e | | |
| 603308.SS | Anhui Yingliu Electromechanical Co Ltd | OW | Capital Goods | 6.52 | 164 | 4 | 38.1% | 32% | 76% | 8.2% | 11.9% | 61.9 | 36.9 | 0.4% | 0.5% | Li, Tom | 53% |
| 2590.HK | Beijing Geekplus Technology Co., Ltd. | OW | Capital Goods | 1.18 | 14 | 2 | 117.0% | 123% | 1242% | -0.7% | 8.8% | NM | 34.0 | NA | NA | Zhong, Sheng | 71% |
| 2579.HK | CNGR Advanced Material Co., Ltd. | OW | Capital Goods | 3.22 | 8 | 6 | 42.6% | 41% | 19% | 9.3% | 10.4% | 9.7 | 8.1 | NA | NA | Zhang, Rachel | 50% |
| 300750.SZ | Contemporary Amperex Technology Co. Ltd. | OW | Capital Goods | 52.25 | 1886 | 251 | 69.5% | 28% | 30% | 26.0% | 28.7% | 16.9 | 12.9 | 3.0% | 3.9% | Lu, Jack | 32% |
| 002487.SZ | Dajin Heavy Industry | OW | Capital Goods | 4.94 | 184 | 3 | 29.1% | 10% | 23% | 11.4% | 11.0% | 17.5 | 14.2 | 0.6% | 0.7% | Hou, Eva | 75% |
| 300502.SZ | Eoptolink Technology Inc Ltd | OW | Technology Hardware & Equipment | 57.46 | 3023 | 80 | 31.4% | 94% | 81% | 69.1% | 65.3% | 29.0 | 16.1 | 0.2% | 0.4% | Meng, Andy | 96% |
| 600885.SS | Hongfa Technology Co Ltd | OW | Capital Goods | 5.32 | 104 | 8 | 34.4% | 23% | 30% | 16.5% | 17.8% | 24.1 | 18.6 | 1.0% | 1.3% | Zhong, Sheng | 31% |
| 603806.SS | Hangzhou First Applied Material Co. Ltd | OW | Semiconductors & Semiconductor Equipment | 2.16 | 99 | 6 | 14.4% | 12% | 13% | 10.5% | 11.2% | 20.2 | 17.8 | 2.3% | 2.6% | Hou, Eva | 29% |
| 002270.SZ | Huaming Power Equipment | OW | Capital Goods | 2.85 | 65 | 3 | 38.1% | 10% | 20% | 24.0% | 26.6% | 21.9 | 18.2 | 3.2% | 3.7% | Li, Tom | 20% |
| 600522.SS | Jiangsu Zhongtian Technology Co. Ltd. | OW | Capital Goods | 4.72 | 826 | 16 | 67.9% | 121% | 29% | 16.2% | 18.2% | 16.9 | 13.0 | 1.9% | 2.5% | Hou, Eva | 19% |
| 603606.SS | Ningbo Orient Wires & Cables Co Ltd | OW | Capital Goods | 5.07 | 108 | 5 | 53.9% | 27% | 30% | 16.8% | 17.4% | 17.7 | 14.0 | 1.6% | 1.9% | Hou, Eva | 14% |
| 601567.SS | Ningbo Sanxing Medical Electric Co. Ltd. | OW | Capital Goods | 1.99 | 75 | 3 | 170.4% | 27% | 31% | 16.3% | 19.2% | 8.9 | 6.8 | 4.9% | 6.2% | Li, Tom | 20% |
| 600031.SS | Sany Heavy Industry Co., Ltd. | OW | Capital Goods | 2.98 | 239 | 27 | 60.0% | 13% | 44% | 11.2% | 15.1% | 18.0 | 12.5 | 2.8% | 4.0% | Zhong, Sheng | 64% |
| 603699.SS | Neway Valve (Suzhou) Co., Ltd | OW | Capital Goods | 6.79 | 51 | 5 | 48.2% | 20% | 18% | 40.5% | 43.8% | 18.0 | 15.3 | 4.2% | 5.1% | Wang, Chelsea | 69% |
| 002028.SZ | Sieyuan Electric Co.Ltd. | OW | Capital Goods | 21.91 | 277 | 17 | 61.0% | 31% | 40% | 23.9% | 26.8% | 27.9 | 19.9 | 0.5% | 0.6% | Hou, Eva | 29% |
| 0669.HK | Techtronic Industries Co Ltd | OW | Capital Goods | 17.20 | 76 | 31 | 15.0% | 22% | 13% | 21.1% | 21.7% | 21.6 | 19.1 | 1.9% | 2.4% | Cheng, Terence | 97% |
| 2338.HK | WeiChai Power | OW | Capital Goods | 4.10 | 67 | 35 | 43.1% | 30% | 51% | 14.6% | 19.9% | 16.9 | 11.2 | 3.4% | 5.3% | Zhong, Sheng | 53% |
| 300450.SZ | Wuxi Lead Intelligent | OW | Capital Goods | 4.70 | 554 | 8 | 71.0% | 53% | 79% | 15.5% | 21.7% | 20.6 | 11.5 | 0.9% | 1.5% | Zhong, Sheng | 24% |
| 603338.SS | Zhejiang Dingli Machinery Co Ltd. | OW | Capital Goods | 8.62 | 49 | 4 | 12.2% | -4% | 45% | 15.1% | 19.4% | 16.1 | 11.1 | 1.9% | 2.8% | Zhong, Sheng | 82% |
| 688006.SS | Zhejiang Hangke Technology | OW | Capital Goods | 3.06 | 64 | 2 | 143.5% | 52% | 45% | 12.9% | 16.3% | 16.2 | 11.2 | 0.7% | 1.0% | Zhong, Sheng | 56% |
| 603799.SS | Zhejiang Huayou Cobalt Co Ltd | OW | Capital Goods | 5.67 | 635 | 11 | 97.0% | 35% | 29% | 16.5% | 18.2% | 8.4 | 6.5 | 1.3% | 1.8% | Jiang, Chris | 64% |
| 1157.HK | Zoomlion Heavy Industry | OW | Capital Goods | 0.77 | 9 | 8 | 49.5% | -9% | 36% | 7.5% | 10.0% | 10.2 | 7.5 | 7.1% | 9.7% | Zhong, Sheng | 60% |
| 6655.HK | Huaxin Building Materials | OW | Materials | 2.15 | 8 | 7 | 1.0% | 19% | 12% | 10.2% | 10.7% | 8.8 | 7.9 | 4.5% | 5.1% | Zhang, Rachel | 35% |
| 600219.SS | Shandong Nanshan Aluminium Co. | EW | Materials | 0.73 | 213 | 9 | -6.5% | 11% | -20% | 10.6% | 8.4% | 11.2 | 14.0 | 8.4% | 6.7% | Zhang, Rachel | 54% |
| 600309.SS | Wanhua Chemical | OW | Materials | 11.56 | 411 | 36 | 30.1% | 44% | 16% | 15.7% | 16.3% | 13.5 | 11.7 | 2.3% | 2.7% | Xu, Kaylee | 47% |
| 688008.SS | Montage Technology Co Ltd | OW | Semiconductors & Semiconductor Equipment | 27.94 | 1294 | 37 | 100.9% | 81% | 87% | 23.5% | 29.3% | 53.1 | 28.4 | 0.0% | 0.0% | Yen, Daniel | 72% |
| 300373.SZ | Yangjie Technology | OW | Semiconductors & Semiconductor Equipment | 12.83 | 234 | 7 | 57.8% | 29% | 41% | 15.4% | 18.8% | 28.7 | 20.3 | 0.6% | 0.7% | Dai, Daisy | 25% |
| 601138.SS | Foxconn Industrial Internet Co. Ltd. | OW | Technology Hardware & Equipment | 9.48 | 1727 | 178 | 30.0% | 73% | 31% | 36.1% | 45.9% | 20.7 | 15.7 | 4.5% | | | |
| 601231.SS | Universal Scientific Ind. (Shanghai) | OW | Technology Hardware & Equipment | 3.68 | 189 | 9 | 58.9% | 23% | 48% | 11.4% | 15.4% | 24.2 | 16.3 | 1.5% | | | |

Source: ModelWare, RIMES, FactSet, Morgan Stanley Research. Note: OW = Overweight. Data as of Sep 3, 2026. This assumes the Focus List constitutes a
portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage
figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI China Index since inclusion in the Focu
disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com



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# Morgan Stanley China/HK Focus List

| Company Name | Ticker | Rating | Market | GICS Sector | Mkt Cap (US$bn) | Date Added | Total US$ Returns Since Added | 12M Total Return Perf. | | Last Price (US $) | Upside to Target Price | MS P/E 2026E | MS P/E 2027E | MS P/B 2026E | MS ROE 2026E | MS Div. Yld 2026E | MS P/Sales 2026E | Analyst |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alibaba Group Holding | BABA.N | OW | China | Consumer Discretionary | 276.7 | 24-Feb-25 | -11.0% | -17.3% | ✓ | 111.8 | 61.0% | 23.3x | 24.0x | 1.6x | 7.0% | - | 2.0x | Yu, Gary |
| China Petroleum & Chemical Corp. | 0386.HK | OW | China | Energy | 93.5 | 2-Mar-26 | -13.2% | 15.4% | ✓ | 0.6 | 45.7% | 8.5x | 6.2x | 0.6x | 6.8% | 8.6% | 0.2x | Lu, Jack |
| China Shenhua Energy | 1088.HK | OW | China | Energy | 139.8 | 25-Mar-26 | -2.7% | 33.7% | ✓ | 5.8 | 5.6% | 13.0x | 13.5x | 1.8x | 13.8% | 5.8% | 2.3x | Yang, Hannah |
| Contemporary Amperex Technology Co. Ltd. | 300750.SZ | OW | China | Industrials | 251.4 | 10-Mar-24 | 134.0% | 15.8% | | 52.2 | 69.5% | 16.9x | 13.0x | 4.2x | 26.0% | 3.0% | 2.8x | Lu, Jack |
| GigaDevice Semiconductor Beijing Inc | 603986.SS | OW | China | Information Technology | 36.9 | 2-Mar-26 | 31.0% | 124.4% | ✓ | 55.4 | 101.7% | 10.7x | 8.2x | 5.8x | 53.8% | 2.8% | 6.4x | Yen, Daniel |
| HK Exchanges & Clearing | 0388.HK | OW | Hong Kong | Financials | 66.3 | 24-Feb-25 | 23.9% | -4.6% | ✓ | 52.1 | 26.0% | 28.4x | 26.6x | 8.5x | 29.9% | 3.1% | 17.2x | Xu, Richard |
| HKT Trust and HKT Ltd. | 6823.HK | OW | Hong Kong | Communication Services | 11.9 | 24-Mar-21 | 53.4% | 10.6% | ✓ | 1.6 | 13.6% | 16.8x | 16.1x | 2.6x | 15.4% | 6.9% | 2.5x | Tang, Tom |
| Jiangsu Zhongtian Technology Co. Ltd. | 600522.SS | OW | China | Industrials | 16.1 | 25-Mar-26 | 19.9% | 110.9% | ✓ | 4.7 | 67.9% | 16.9x | 13.0x | 2.6x | 15.1% | 1.9% | 1.7x | Hou, Eva |
| MiniMax | 0100.HK | OW | China | Information Technology | 16.1 | 12-Aug-26 | -0.7% | #N/A | ✓ | 46.1 | 149.1% | -18.4x | -20.3x | 7.4x | | - | 32.2x | Yu, Gary |
| NARI Technology | 600406.SS | OW | China | Industrials | 27.2 | 13-Jun-19 | 148.4% | 8.6% | ✓ | 3.4 | 42.0% | 19.4x | 17.0x | 3.2x | 16.4% | 2.7% | 2.5x | Hou, Eva |
| NAURA Technology Group Co Ltd | 002371.SZ | OW | China | Information Technology | 68.8 | 18-Jun-26 | -8.9% | 75.8% | | 95.0 | 28.2% | 50.2x | 34.3x | 9.0x | 17.9% | 0.4% | 9.0x | Chan, Charlie |
| Ping An Insurance Group Co of China Ltd | 2318.HK | OW | China | Financials | 29.3 | 2-Dec-25 | 4.7% | 8.2% | ✓ | 7.3 | 54.0% | 5.9x | 5.4x | 0.8x | 15.0% | 5.8% | 0.9x | Xu, Richard |
| Shenzhen Inovance Technology | 300124.SZ | ++ | China | Industrials | 23.8 | 26-Sep-25 | -25.6% | -17.0% | ✓ | 8.8 | | - | - | - | -- | - | - | Zhong, Sheng |
| Sinoma Science & Technology Co. Ltd. | 002080.SZ | OW | China | Materials | 11.9 | 12-Jan-26 | 36.4% | 52.3% | ✓ | 7.1 | 18.1% | 35.2x | 26.0x | 3.7x | 10.5% | 0.7% | 2.2x | Hou, Eva |
| Zijin Mining Group | 2899.HK | OW | China | Materials | 130.2 | 14-Nov-22 | 280.3% | 35.9% | | 4.7 | 66.7% | 11.0x | 9.7x | 3.4x | 30.6% | 2.3% | 1.8x | Zhang, Rachel |

| Total Return | Since Inception | | 12 Months | | 1 Month | |
|---|---|---|---|---|---|---|
| | Absolute | Relative | Absolute | Relative | Absolute | Relative |
| China Focus List (US$) | 114.2% | 69.4% | 7.4% | 16.5% | 1.5% | 3.7% |

Source: ModelWare, RIMES, FactSet, Morgan Stanley Research. Note: OW = Overweight. Data as of Sep 3, 2026. This assumes the Focus List constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI China Index since inclusion in the Focus List. For important disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures.

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## Morgan Stanley China A-share Thematic Stock List

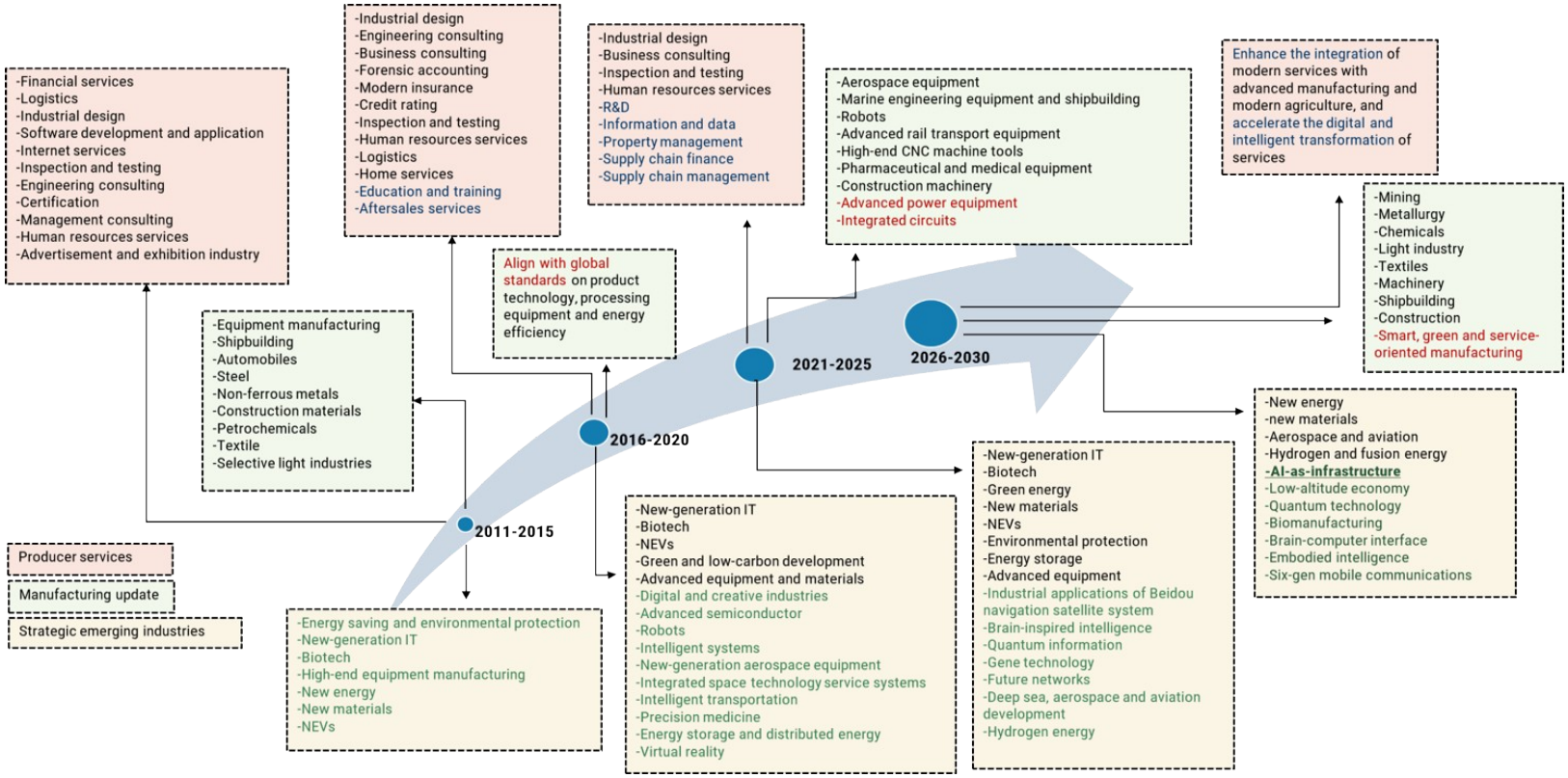
| Company Name | Ticker | Rating | Market | GICS Sector | Mkt Cap (US$bn) | Date Added | Total US$ Returns Since Added | 12M Total Return Perf. | | Last Price (US $) | Upside to Target Price | MS P/E 2026E | MS P/E 2027E | MS P/B 2026E | MS ROE 2026E | MS Div. Yld 2026E | MS P/Sales 2026E | Analyst |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contemporary Amperex Technology Co. Ltd. | 300750.SZ | OW | China | Industrials | 271.3 | 10-Mar-24 | 134.0% | 15.8% | ✓ | 56.4 | 57.0% | 18.3x | 14.0x | 4.5x | 26.0% | 2.7% | 3.0x | Lu, Jack |
| GigaDevice Semiconductor Beijing Inc | 603986.SS | OW | China | Information Technology | 39.0 | 2-Mar-26 | 31.0% | 124.4% | ✓ | 58.4 | 91.1% | 11.3x | 8.7x | 6.1x | 53.8% | 2.7% | 6.8x | Yen, Daniel |
| Hongfa Technology Co Ltd | 600885.SS | OW | China | Industrials | 7.5 | 16-Apr-24 | 91.5% | 43.2% | ✓ | 5.1 | 39.0% | 23.3x | 17.9x | 3.5x | 15.1% | 1.0% | 2.3x | Zhong, Sheng |
| Jiangsu Zhongtian Technology Co. Ltd. | 600522.SS | OW | China | Industrials | 17.0 | 25-Mar-26 | 19.9% | 110.9% | ✓ | 5.0 | 59.3% | 17.8x | 13.7x | 2.7x | 15.1% | 1.8% | 1.8x | Hou, Eva |
| NARI Technology | 600406.SS | OW | China | Industrials | 28.0 | 13-Jun-19 | 148.4% | 8.6% | ✓ | 3.5 | 37.7% | 20.0x | 17.6x | 3.3x | 16.4% | 2.7% | 2.6x | Hou, Eva |
| NAURA Technology Group Co Ltd | 002371.SZ | OW | China | Information Technology | 75.6 | 18-Jun-26 | -8.9% | 75.8% | | 104.3 | 16.7% | 55.1x | 37.7x | 9.9x | 17.9% | 0.3% | 9.9x | Chan, Charlie |
| Ping An Insurance Group Co of China Ltd | 601318.SS | OW | China | Financials | 143.8 | 12-Jan-26 | -11.5% | 5.1% | ✓ | 8.4 | 40.7% | 6.7x | 6.1x | 0.9x | 15.0% | 5.1% | 0.9x | Xu, Richard |
| Sinoma Science & Technology Co. Ltd. | 002080.SZ | OW | China | Materials | 12.5 | 17-Nov-25 | 53.5% | 52.3% | ✓ | 7.4 | 12.2% | 37.0x | 27.3x | 3.9x | 10.5% | 0.7% | 2.3x | Hou, Eva |
| Zijin Mining Group | 601899.SS | OW | China | Materials | 134.7 | 28-Nov-22 | 267.0% | 37.7% | ✓ | 5.1 | 68.3% | 12.1x | 10.6x | 3.7x | 30.6% | 2.1% | 1.9x | Zhang, Rachel |

| Total Return | Since Inception | | 12 Months | | 1 Month | |
|---|---|---|---|---|---|---|
| | Absolute | Relative | Absolute | Relative | Absolute | Relative |
| China A-Share Thematic Focus List (US$) | 213.5% | 138.4% | 30.8% | 19.3% | 2.5% | -2.6% |

Source: MSCI, RIMES, Morgan Stanley Research. Note: OW = Overweight. Data as Sep 3, 2026. This assumes the group of selected stocks constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute returns (including dividends) and exclude brokerage commissions.
These figures are not audited. Past performance is no guarantee of future results. Tick-mark indicates stock has outperformed Shanghai
Composite Index since inclusion in the Focus List. For important disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures.

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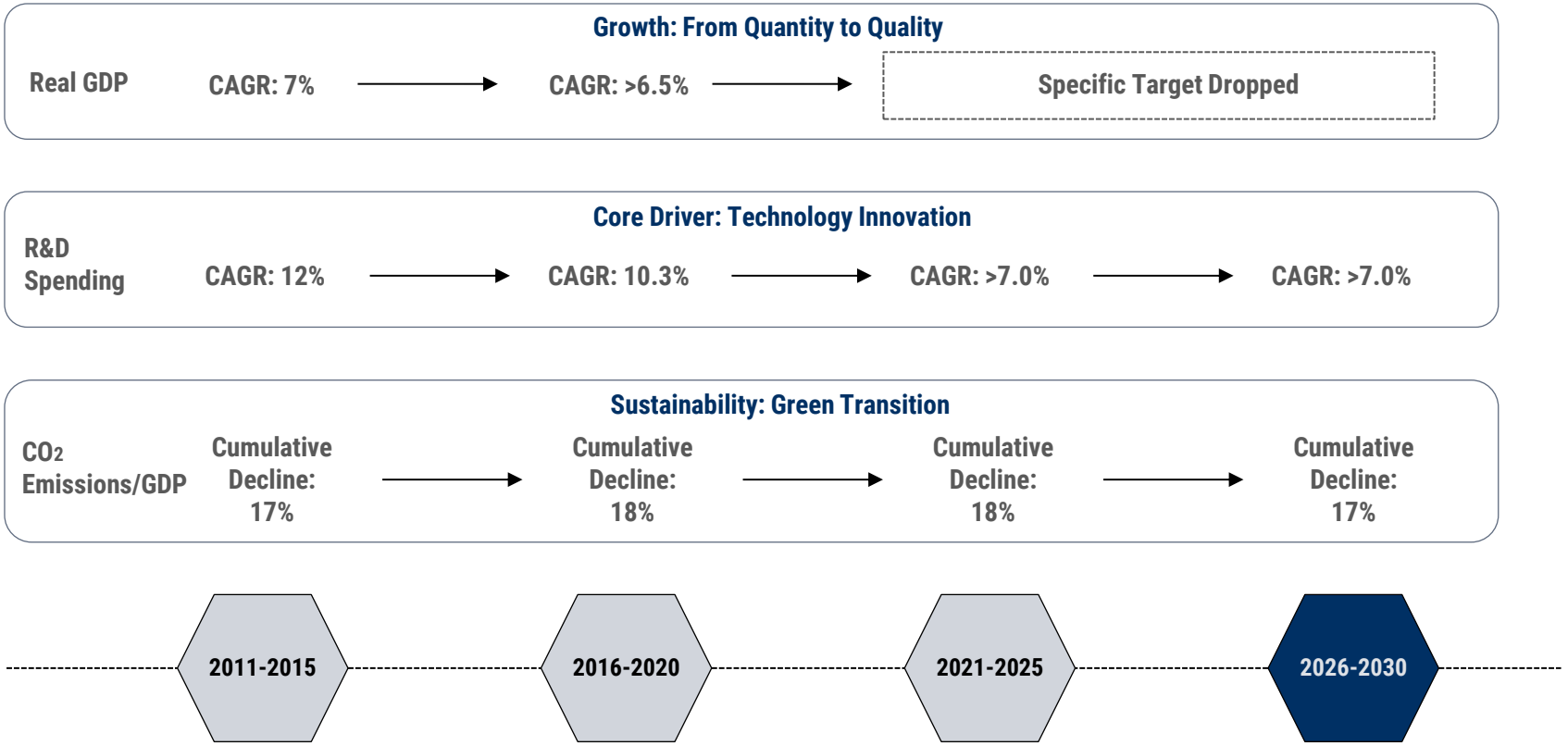
# Long-term growth opportunities concentrate in Tech & Innovation – China has implemented a systemic framework on industrial upgrade and innovation




Source: Government website, Morgan Stanley Research.

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## Evolution of recent Five-Year Plans – A clear focus on quality growth and tech innovation

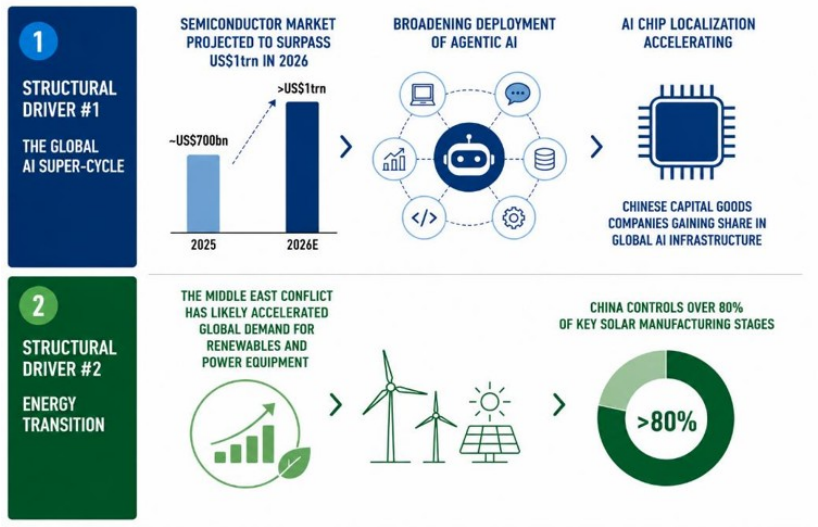



Source: NPC, Morgan Stanley Research.

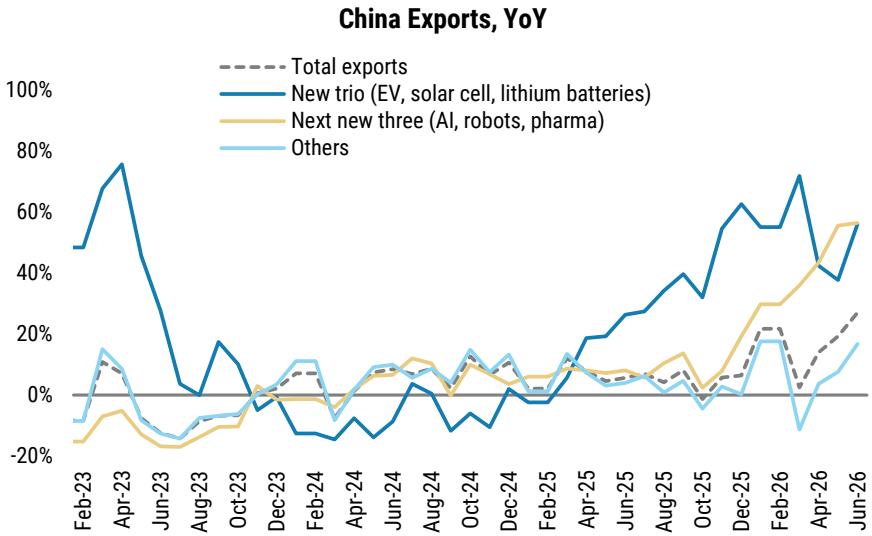
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# Exports continue to anchor cyclical growth, positioning China's electronics and renewable supply chains as direct beneficiaries

## Two structural drivers for export growth




## China's deep electronics and renewable supply chains will be direct beneficiary

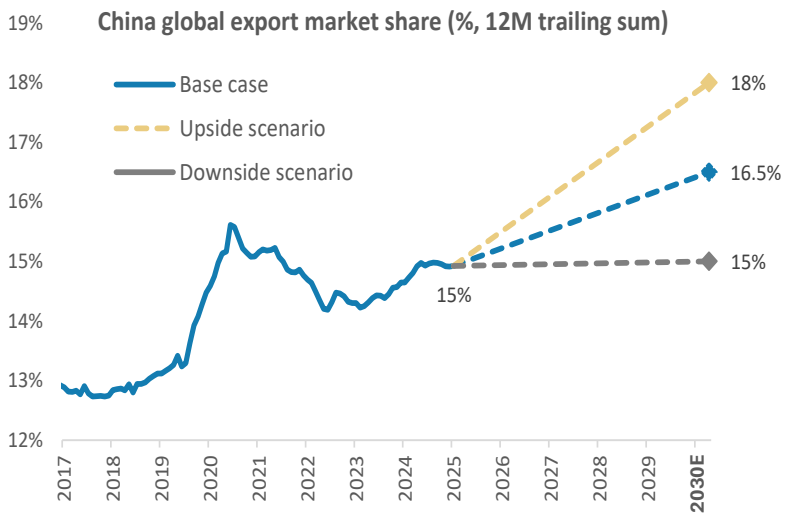



Source: CEIC, Morgan Stanley Research estimates. "New Trio" includes EVs, lithium batteries, and solar cells.

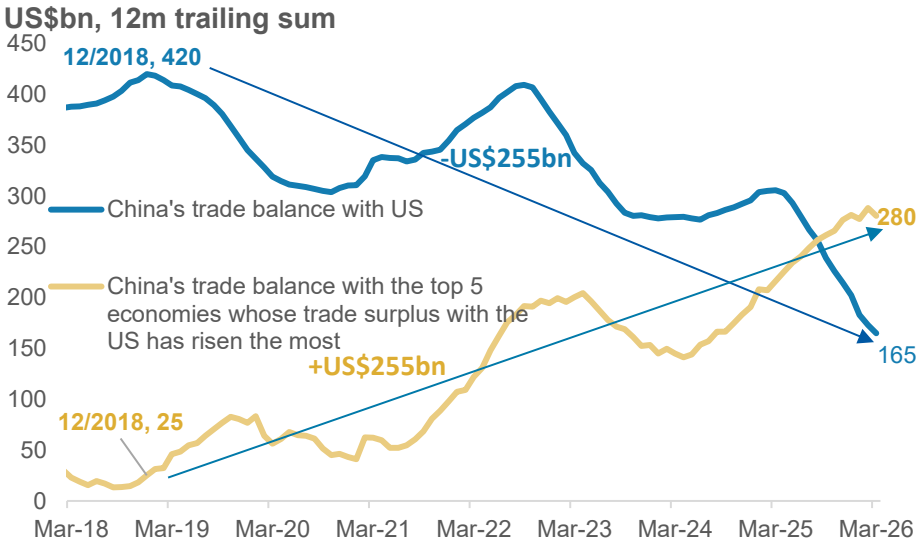
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# China has been widening its lead in global exports since 2022; we expect further acceleration given China's best positioning in global AI/energy capex supercycle supply chain

## China likely to contribute 16.5% of global export market share by 2030…



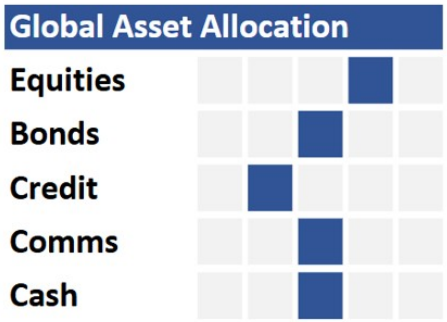

## …while continuing to play a critical role in global supply chain despite diversification

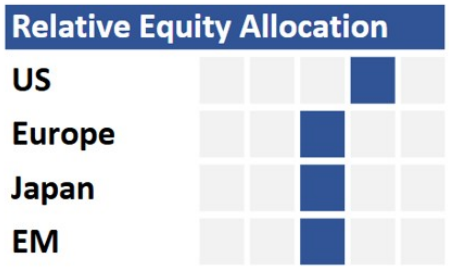


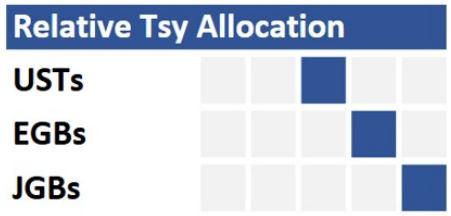

Source: Haver, Morgan Stanley Research estimates.

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## Appendix – Morgan Stanley cross-asset allocation and key forecasts




Source: Markit Box, MSCI, RIMES, DataStream, IBES, Bloomberg, Morgan Stanley Research forecasts.

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# Appendix – Morgan Stanley global Real GDP growth forecasts

| Real GDP (%Y) | Quarterly | | | | | | | | | | | | | | | | Annual | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | | 2024 | 2025 | 2026E | 2027E |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | 1QE | 2QE | 3QE | 4QE | | | | |
| **Global (%Y)** | **3.4** | **3.4** | **3.4** | **3.7** | **3.5** | **3.5** | **3.5** | **3.4** | **3.6** | **3.1** | **3.1** | **3.3** | **3.4** | **3.6** | **3.5** | **3.4** | **3.4** | **3.5** | **3.3** | **3.5** |
| **Global ex US (%Y)** | **3.5** | **3.4** | **3.5** | **4.0** | **3.9** | **3.8** | **3.8** | **3.7** | **3.8** | **3.4** | **3.5** | **3.5** | **3.7** | **3.8** | **3.7** | **3.6** | **3.6** | **3.8** | **3.5** | **3.7** |
| **G10 (%Y)** | **1.5** | **1.7** | **1.9** | **1.9** | **1.8** | **1.8** | **1.7** | **1.4** | **1.5** | **1.5** | **1.3** | **1.5** | **1.6** | **1.7** | **1.7** | **1.9** | **1.7** | **1.7** | **1.5** | **1.8** |
| US | 2.9 | 3.1 | 2.8 | 2.4 | 2.0 | 2.1 | 2.3 | 2.0 | 2.7 | 2.1 | 1.7 | 2.2 | 2.3 | 2.5 | 2.5 | 2.6 | 2.8 | 2.1 | 2.2 | 2.6 |
| Euro Area | 0.7 | 0.7 | 1.1 | 1.4 | 1.6 | 1.4 | 1.2 | 1.1 | 0.5 | 1.0 | 0.9 | 0.9 | 1.2 | 1.0 | 1.1 | 1.2 | 1.0 | 1.3 | 0.8 | 1.1 |
| Japan | -0.9 | -0.9 | 1.1 | 0.9 | 1.6 | 2.1 | 0.6 | 0.4 | 0.5 | 0.7 | 1.3 | 0.6 | 0.2 | 0.5 | 0.6 | 1.2 | 0.1 | 1.2 | 0.8 | 0.7 |
| UK | 0.2 | 0.8 | 1.2 | 2.0 | 1.8 | 1.3 | 1.2 | 0.9 | 0.9 | 1.1 | 1.1 | 1.0 | 0.9 | 1.0 | 1.3 | 1.7 | 1.0 | 1.3 | 1.0 | 1.2 |
| Canada | 1.0 | 1.7 | 2.4 | 3.1 | 3.1 | 2.0 | 1.7 | 0.7 | -0.1 | 1.3 | 1.2 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 2.0 | 1.7 | 1.1 | 1.7 |
| Norway | 0.3 | 0.3 | 1.2 | 0.9 | 1.8 | 2.1 | 1.4 | 1.7 | 0.9 | 0.7 | 0.9 | 1.2 | 1.5 | 1.6 | 1.7 | 1.7 | 0.7 | 1.7 | 0.9 | 1.6 |
| Sweden | 1.9 | 1.5 | 0.7 | 3.6 | 0.1 | 2.2 | 2.2 | 2.0 | 2.3 | 3.2 | 2.4 | 1.8 | 2.4 | 1.3 | 1.8 | 1.6 | 1.9 | 1.6 | 2.4 | 1.8 |
| Australia | 1.2 | 0.9 | 0.8 | 1.3 | 1.3 | 1.9 | 2.1 | 2.6 | 2.6 | 1.9 | 1.7 | 1.2 | 1.2 | 1.4 | 1.5 | 1.7 | 1.0 | 2.0 | 1.9 | 1.5 |
| **Global (%Q, SAAR)^** | **3.7** | **3.6** | **3.6** | **3.7** | **3.1** | **3.8** | **3.8** | **3.1** | **3.2** | **2.3** | **3.7** | **4.1** | **3.3** | **3.0** | **3.5** | **3.5** | **3.7** | **3.4** | **3.3** | **3.4** |
| **G10 (%Q, SAAR)^** | **1.2** | **2.0** | **2.7** | **1.7** | **1.0** | **1.9** | **2.3** | **0.7** | **1.3** | **1.6** | **1.6** | **1.4** | **1.6** | **2.0** | **2.0** | **2.0** | **1.9** | **1.4** | **1.5** | **1.9** |
| US | 0.8 | 3.6 | 3.3 | 1.9 | -0.6 | 3.8 | 4.4 | 0.5 | 2.1 | 1.5 | 2.7 | 2.5 | 2.4 | 2.6 | 2.6 | 2.6 | 2.4 | 2.0 | 2.2 | 2.6 |
| Euro Area | 1.4 | 0.9 | 2.0 | 1.2 | 2.3 | 0.0 | 1.3 | 0.8 | 0.0 | 1.8 | 1.0 | 0.8 | 1.0 | 1.2 | 1.3 | 1.3 | 1.4 | 1.1 | 0.9 | 1.2 |
| Japan | -0.2 | -0.5 | 3.3 | 1.6 | 2.1 | 0.7 | -1.8 | 1.0 | 1.9 | 1.1 | 0.1 | -1.2 | 0.2 | 2.8 | 1.7 | 1.2 | 0.9 | 0.4 | 0.6 | 1.2 |
| UK | 2.9 | 2.5 | 0.7 | 1.7 | 2.3 | 0.6 | 0.3 | 0.2 | 2.5 | 1.2 | 0.4 | 0.0 | 1.9 | 1.6 | 1.6 | 1.6 | 2.0 | 0.9 | 1.0 | 1.7 |
| **EM (%Y)** | **4.8** | **4.7** | **4.5** | **5.0** | **4.8** | **4.8** | **4.9** | **4.9** | **5.1** | **4.3** | **4.4** | **4.6** | **4.7** | **5.0** | **4.8** | **4.4** | **4.7** | **4.9** | **4.6** | **4.7** |
| **EM ex China (%Y)** | **4.4** | **4.7** | **4.4** | **4.8** | **4.4** | **4.4** | **5.0** | **5.2** | **5.2** | **4.4** | **4.4** | **4.5** | **4.9** | **5.1** | **4.8** | **4.4** | **4.5** | **4.7** | **4.6** | **4.8** |
| **AXJ (%Y)** | **5.6** | **5.3** | **4.9** | **5.5** | **5.4** | **5.4** | **5.5** | **5.4** | **5.9** | **5.0** | **5.1** | **5.1** | **5.2** | **5.3** | **5.2** | **5.0** | **5.3** | **5.5** | **5.3** | **5.2** |
| China | 5.3 | 4.7 | 4.6 | 5.4 | 5.4 | 5.2 | 4.8 | 4.5 | 5.0 | 4.3 | 4.5 | 4.7 | 4.6 | 4.7 | 4.7 | 4.5 | 5.0 | 5.0 | 4.6 | 4.6 |
| India | 7.5 | 7.5 | 6.6 | 7.4 | 7.0 | 6.8 | 8.3 | 8.0 | 7.8 | 6.5 | 6.7 | 6.8 | 7.0 | 7.0 | 7.2 | 7.0 | 7.2 | 7.5 | 7.0 | 7.0 |
| Hong Kong | 2.9 | 3.0 | 2.1 | 2.5 | 3.2 | 3.3 | 3.8 | 4.0 | 5.9 | 5.0 | 4.4 | 3.8 | 3.3 | 4.6 | 5.1 | 5.0 | 2.6 | 3.6 | 4.8 | 4.5 |
| Korea | 3.3 | 2.3 | 1.5 | 1.2 | -0.1 | 1.0 | 1.7 | 1.6 | 3.8 | 3.7 | 3.2 | 2.9 | 2.2 | 3.7 | 1.6 | 1.5 | 2.1 | 1.1 | 3.4 | 2.7 |
| Taiwan | 7.2 | 5.3 | 4.7 | 4.1 | 5.5 | 7.7 | 8.2 | 12.7 | 15.4 | 12.9 | 11.4 | 6.2 | 9.2 | 8.0 | 7.6 | 5.2 | 5.3 | 8.6 | 11.5 | 7.6 |

Source: Haver Analytics, IMF, Morgan Stanley Research forecasts. Note: ^Global and regional aggregates are GDP-weighted averages.

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# Appendix – Morgan Stanley CPI forecasts

| Headline CPI Inflation (%Y) | Quarterly | | | | | | | | | | | | | | | | Annual | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | | 2024 | 2025 | 2026E | 2027E |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | 1QE | 2QE | 3QE | 4QE | | | | |
| **Global** | **2.5** | **2.5** | **2.3** | **2.3** | **2.1** | **1.9** | **1.8** | **1.9** | **2.2** | **2.8** | **2.7** | **3.0** | **2.7** | **2.3** | **2.1** | **2.0** | **2.4** | **1.9** | **2.7** | **2.3** |
| **G10** | **3.0** | **2.9** | **2.5** | **2.5** | **2.6** | **2.4** | **2.7** | **2.5** | **2.4** | **3.2** | **3.1** | **3.3** | **3.0** | **2.2** | **2.0** | **1.8** | **2.7** | **2.6** | **3.0** | **2.3** |
| US | 3.2 | 3.2 | 2.7 | 2.7 | 2.7 | 2.5 | 2.9 | 2.7 | 2.7 | 3.8 | 3.4 | 3.4 | 3.1 | 2.0 | 2.0 | 2.1 | 3.0 | 2.7 | 3.3 | 2.3 |
| Euro Area | 2.6 | 2.5 | 2.2 | 2.2 | 2.3 | 2.0 | 2.1 | 2.1 | 2.0 | 3.0 | 3.2 | 3.6 | 3.2 | 2.7 | 2.1 | 1.6 | 2.4 | 2.1 | 3.0 | 2.5 |
| Japan^ | 2.5 | 2.7 | 2.8 | 3.0 | 3.7 | 3.5 | 3.0 | 2.5 | 1.4 | 1.5 | 1.8 | 2.8 | 2.9 | 1.5 | 1.5 | 0.4 | 2.7 | 3.2 | 1.9 | 1.6 |
| UK | 3.5 | 2.1 | 2.0 | 2.5 | 2.8 | 3.5 | 3.8 | 3.4 | 3.1 | 2.8 | 3.1 | 3.2 | 3.1 | 2.7 | 2.4 | 2.1 | 2.5 | 3.4 | 3.0 | 2.6 |
| Canada | 2.9 | 2.8 | 2.1 | 1.9 | 2.3 | 1.8 | 2.0 | 2.2 | 2.3 | 2.8 | 2.4 | 2.2 | 2.0 | 1.8 | 2.1 | 2.1 | 2.4 | 2.1 | 2.6 | 1.9 |
| Norway | 4.4 | 3.1 | 2.8 | 2.4 | 2.8 | 2.9 | 3.4 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 2.4 | 2.8 | 2.6 | 2.4 | 3.2 | 3.0 | 3.1 | 2.5 |
| Sweden | 4.7 | 3.4 | 2.0 | 1.3 | 0.9 | 0.4 | 0.9 | 0.5 | 0.5 | 0.4 | 0.6 | 1.7 | 2.1 | 2.6 | 2.5 | 2.0 | 2.8 | 0.7 | 0.8 | 2.3 |
| Australia | 3.6 | 3.8 | 2.9 | 2.4 | 2.4 | 2.1 | 3.2 | 3.7 | 4.1 | 5.0 | 4.6 | 4.2 | 3.4 | 2.5 | 2.3 | 2.6 | 3.2 | 2.9 | 4.5 | 2.7 |
| **EM** | **2.1** | **2.2** | **2.2** | **2.2** | **1.7** | **1.5** | **1.2** | **1.4** | **2.0** | **2.5** | **2.4** | **2.7** | **2.5** | **2.3** | **2.1** | **2.1** | **2.1** | **1.5** | **2.4** | **2.2** |
| **AXJ** | **1.7** | **1.8** | **1.7** | **1.8** | **1.1** | **0.9** | **0.6** | **0.9** | **1.7** | **2.2** | **2.2** | **2.4** | **2.2** | **2.1** | **1.9** | **1.8** | **1.7** | **0.9** | **2.1** | **2.0** |
| China | 0.0 | 0.3 | 0.5 | 0.2 | -0.1 | 0.0 | -0.2 | 0.6 | 0.8 | 1.1 | 0.7 | 0.7 | 0.5 | 0.6 | 0.6 | 0.7 | 0.2 | 0.1 | 0.8 | 0.6 |
| India | 5.0 | 4.9 | 4.2 | 5.6 | 3.7 | 2.7 | 1.7 | 0.8 | 3.1 | 3.9 | 4.7 | 5.8 | 5.4 | 5.4 | 4.5 | 4.0 | 4.9 | 2.2 | 4.4 | 4.8 |
| Hong Kong | 1.9 | 1.2 | 2.4 | 1.4 | 1.6 | 1.8 | 1.1 | 1.3 | 1.6 | 2.1 | 2.2 | 2.1 | 1.7 | 1.8 | 1.9 | 1.8 | 1.7 | 1.4 | 2.0 | 1.8 |
| Korea | 3.0 | 2.7 | 2.2 | 1.4 | 2.1 | 2.1 | 1.9 | 1.9 | 2.1 | 2.9 | 2.7 | 2.5 | 2.5 | 2.4 | 2.2 | 2.3 | 2.3 | 2.0 | 2.6 | 2.4 |
| Taiwan | 2.3 | 2.2 | 2.5 | 2.3 | 2.2 | 1.9 | 1.7 | 1.6 | 1.2 | 2.2 | 2.4 | 2.4 | 2.4 | 2.3 | 2.2 | 2.0 | 2.3 | 1.9 | 2.1 | 2.2 |
| Singapore | 3.2 | 2.8 | 2.2 | 1.4 | 1.0 | 0.8 | 0.6 | 1.2 | 1.5 | 1.8 | 3.3 | 2.9 | 2.6 | 2.2 | 1.9 | 1.9 | 2.4 | 0.9 | 2.4 | 2.1 |
| Indonesia | 2.8 | 2.8 | 2.0 | 1.6 | 0.6 | 1.8 | 2.4 | 2.8 | 3.9 | 2.9 | 3.0 | 3.1 | 2.9 | 2.4 | 2.4 | 2.4 | 2.3 | 1.9 | 3.2 | 2.5 |
| Malaysia | 1.7 | 1.9 | 1.9 | 1.8 | 1.5 | 1.3 | 1.3 | 1.4 | 1.6 | 2.0 | 2.2 | 2.3 | 2.3 | 2.0 | 2.1 | 2.0 | 1.8 | 1.4 | 2.0 | 2.1 |
| Thailand | -0.8 | 0.8 | 0.6 | 1.0 | 1.1 | -0.3 | -0.7 | -0.5 | -0.5 | 2.7 | 2.7 | 2.7 | 2.6 | 1.1 | 1.2 | 1.2 | 0.4 | 0.0 | 1.9 | 1.5 |
| Philippines | 3.3 | 3.8 | 3.2 | 2.6 | 2.2 | 1.4 | 1.4 | 1.7 | 2.8 | 6.8 | 5.8 | 5.7 | 5.1 | 1.4 | 3.1 | 3.9 | 3.2 | 1.7 | 5.3 | 3.4 |
| **Core Inflation (%Y)** | | | | | | | | | | | | | | | | | | | | |
| **Global (G4+Selected EM)** | **2.5** | **2.2** | **2.2** | **2.2** | **2.3** | **2.4** | **2.5** | **2.6** | **2.5** | **2.5** | **2.6** | **2.6** | **2.4** | **2.3** | **2.2** | **2.1** | **2.3** | **2.4** | **2.6** | **2.3** |
| **G4** | **3.2** | **2.8** | **2.8** | **2.8** | **2.8** | **2.7** | **2.8** | **2.7** | **2.8** | **2.8** | **2.8** | **2.9** | **2.7** | **2.5** | **2.4** | **2.3** | **2.9** | **2.7** | **2.8** | **2.5** |
| US (core PCE) | 3.1 | 2.8 | 2.8 | 3.0 | 2.8 | 2.7 | 2.9 | 2.9 | 3.1 | 3.4 | 3.3 | 3.2 | 2.8 | 2.4 | 2.3 | 2.4 | 2.9 | 2.8 | 3.3 | 2.5 |
| Euro Area | 3.1 | 2.8 | 2.8 | 2.7 | 2.6 | 2.4 | 2.3 | 2.4 | 2.3 | 2.4 | 2.5 | 2.6 | 2.6 | 2.5 | 2.3 | 2.2 | 2.8 | 2.4 | 2.4 | 2.4 |
| Japan^ | 3.2 | 2.2 | 2.0 | 2.4 | 2.7 | 3.2 | 3.2 | 3.0 | 2.4 | 1.8 | 2.0 | 2.5 | 2.5 | 2.8 | 2.6 | 2.1 | 2.5 | 3.0 | 2.2 | 2.5 |
| UK | 4.6 | 3.6 | 3.3 | 3.4 | 3.6 | 3.7 | 3.6 | 3.3 | 3.2 | 2.6 | 2.6 | 2.7 | 2.7 | 2.6 | 2.4 | 2.2 | 3.7 | 3.5 | 2.8 | 2.5 |
| **Selected EM** | **1.9** | **1.7** | **1.5** | **1.6** | **1.8** | **2.1** | **2.3** | **2.5** | **2.3** | **2.2** | **2.3** | **2.4** | **2.2** | **2.1** | **2.0** | **2.0** | **1.7** | **2.2** | **2.3** | **2.1** |
| China | 0.7 | 0.6 | 0.3 | 0.3 | 0.3 | 0.6 | 0.9 | 1.2 | 1.2 | 1.1 | 1.1 | 0.9 | 0.8 | 0.8 | 0.9 | 0.9 | 0.5 | 0.8 | 1.1 | 0.8 |
| India | 3.4 | 3.2 | 3.5 | 3.7 | 4.0 | 4.4 | 4.3 | 4.6 | 3.7 | 3.8 | 4.3 | 4.8 | 4.3 | 4.3 | 3.8 | 3.7 | 3.4 | 4.3 | 4.2 | 4.0 |
| Brazil | 3.6 | 3.1 | 3.5 | 3.8 | 4.7 | 5.2 | 5.0 | 4.7 | 4.5 | 4.4 | 4.4 | 4.6 | 4.3 | 3.7 | 3.4 | 3.4 | 3.5 | 4.9 | 4.4 | 3.7 |
| Mexico | 4.7 | 4.2 | 4.0 | 3.7 | 3.6 | 4.1 | 4.2 | 4.3 | 4.5 | 4.2 | 4.0 | 4.0 | 3.9 | 4.0 | 4.2 | 4.1 | 4.1 | 4.1 | 4.2 | 4.1 |

Source: Haver Analytics, national central banks, Morgan Stanley Research forecasts. ^7-day reverse repo rate.

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## Appendix – Morgan Stanley policy rate forecasts

| Policy Rates | Current | 2024 | | | | 2025 | | | | 2026 | | | | 2027 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | 1QE | 2QE | 3QE | 4QE |
| US | 3.625 | 5.375 | 5.375 | 4.875 | 4.375 | 4.375 | 4.375 | 4.125 | 3.625 | 3.625 | 3.625 | 3.625 | 3.625 | 3.375 | 3.125 | 3.125 | 3.125 |
| Euro Area* | 2.25 | 4.00 | 3.75 | 3.50 | 3.00 | 2.50 | 2.00 | 2.00 | 2.00 | 2.00 | 2.25 | 2.50 | 2.50 | 2.50 | 2.25 | 2.00 | 2.00 |
| Japan** | 1.00 | 0.10 | 0.10 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 | 1.25 | 1.50 | 1.50 | 1.50 | 1.50 |
| UK | 3.75 | 5.25 | 5.00 | 4.75 | 4.75 | 4.50 | 4.25 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.50 | 3.50 |
| China^ | 1.40 | 1.80 | 1.80 | 1.50 | 1.50 | 1.50 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 | 1.40 |
| India | 5.25 | 6.50 | 6.50 | 6.50 | 6.50 | 6.25 | 5.50 | 5.50 | 5.25 | 5.25 | 5.25 | 5.25 | 5.50 | 5.75 | 6.00 | 6.00 | 6.00 |
| Hong Kong | 4.00 | 5.75 | 5.75 | 5.25 | 4.75 | 4.75 | 4.75 | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 |
| S. Korea | 3.00 | 3.50 | 3.50 | 3.50 | 3.00 | 3.00 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 | 3.00 | 3.25 | 3.50 | 3.50 | 3.50 | 3.50 |
| Taiwan | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.13 | 2.13 | 2.25 | 2.25 | 2.25 |

Source: Haver Analytics, national central banks, Morgan Stanley Research forecasts. *ECB Deposit Facility rate; **Uncollateralized Overnight Call Rate Upper Limit; ^7-day reverse repo rate.

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## Appendix – Morgan Stanley global currency forecasts

| FX | 3Q26 | 4Q26 | 1Q27 | 2Q27 | 3Q27 | 4Q27 |
|---|---|---|---|---|---|---|
| EUR/USD | 1.23 | 1.2 | 1.18 | 1.16 | 1.15 | 1.14 |
| USD/JPY | 160 | 157 | 159 | 156 | 154 | 152 |
| GBP/USD | 1.39 | 1.38 | 1.36 | 1.34 | 1.32 | 1.3 |
| USD/CHF | 0.73 | 0.74 | 0.74 | 0.75 | 0.77 | 0.78 |
| EUR/CHF | 0.9 | 0.89 | 0.87 | 0.87 | 0.88 | 0.89 |
| EUR/SEK | 10.6 | 10.4 | 10.3 | 10.2 | 10.21 | 10.21 |
| EUR/NOK | 10.7 | 10.6 | 10.5 | 10.5 | 10.54 | 10.59 |
| USD/CAD | 1.35 | 1.35 | 1.36 | 1.36 | 1.36 | 1.36 |
| AUD/USD | 0.74 | 0.75 | 0.74 | 0.73 | 0.72 | 0.71 |
| NZD/USD | 0.61 | 0.62 | 0.61 | 0.6 | 0.61 | 0.61 |
| USD/CNY | 6.72 | 6.75 | 6.77 | 6.8 | 6.77 | 6.75 |
| USD/HKD | 7 | 7 | 7.81 | 7.8 | 7.79 | 7 |
| USD/IDR | 17150.0 | 17100.0 | 17200.0 | 17400.0 | 17111.1 | 16826.2 |
| USD/INR | 93 | 93 | 94 | 95 | 93.8 | 92.7 |
| USD/KRW | 1430 | 1420.0 | 1430.0 | 1440.0 | 1418.23 | 1396.56 |
| USD/MYR | 3.8 | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 |
| USD/PHP | 59.8 | 59.6 | 60.0 | 60.5 | 59.965 | 59.43 |
| USD/SGD | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 |
| USD/TWD | 30.7 | 30.5 | 30.8 | 31.0 | 30.69 | 30.38 |
| USD/THB | 31.4 | 31.2 | 31.6 | 31.9 | 31.8 | 31.8 |
| USD/BRL | 5.1 | 5.0 | 4.95 | 4.9 | 4.85 | 4.8 |
| USD/MXN | 17.25 | 17.2 | 17.1 | 17.2 | 17.3 | 17.4 |
| USD/ARS | 1590.3 | 1671.1 | 1772.6 | 1826.3 | 1983.9 | 1983.2 |
| USD/CLP | 880 | 870 | 860 | 850 | 840 | 840 |
| USD/COP | 3800.0 | 3825.0 | 3850.0 | 3875.0 | 3900.0 | 3925.0 |
| USD/PEN | 3.6 | 3.6 | 3.6 | 3.6 | 3.5 | 3.6 |
| USD/ZAR | 16.1 | 15.7 | 16.0 | 16.3 | 16.34 | 16.37 |
| USD/TRY | 48.4 | 50.6 | 53.0 | 55.4 | 58.0 | 60.5 |
| USD/EGP | 50.0 | 49.0 | 50.0 | 51.0 | 51.5 | 52.0 |
| USD/ILS | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 |
| EUR/PLN | 4.33 | 4.35 | 4.32 | 4.3 | 4.33 | 4.36 |
| EUR/CZK | 24.4 | 24.5 | 24.4 | 24.3 | 25.1 | 26.0 |
| EUR/HUF | 353 | 345 | 350 | 355 | 366 | 377 |
| DXY | 95 | 96 | 98 | 99 | 99 | 99 |
| Broad USD (Fed) | 102 | 101 | 100 | 99 | 99 | 98 |

Source: Morgan Stanley Research forecasts.

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|---|---|---|---|---|---|---|---|
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| Equal-weight/Hold | 1577 | 43% | 395 | 42% | 25% | 770 | 44% |
| Not-Rated/Hold | 3 | 0% | 1 | 0% | 33% | 1 | 0% |
| Underweight/Sell | 559 | 15% | 93 | 10% | 17% | 216 | 12% |
| Total | 3,694 | | 939 | | | 1754 | |

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